MANITOBA 2004

BUDGET SPEECH

TODAY'S CHALLENGES
TOMORROW'S OPPORTUNITIES

Manitoba
Building for the Future

The 2004 Manitoba Budget Address

The Honourable Gregory F. Selinger
Minister of Finance
April 19, 2004

This document is
available on the Internet at:
http://www.gov.mb.ca/finance
Other information available at this site includes:
The 2004 Manitoba Budget Papers,
2004 Estimates of Expenditure,
2004 Estimates of Revenue,
2004 Manitoba Advantage,
the latest Quarterly Financial Report and
Highlights of Manitoba's Recent Economic Performance

By special arrangement, sections of this
document can be provided in alternative format
for visually impaired persons
requiring the information

Offert en français.

Printed on recycled paper.

ISSN 0380-4488

THE 2004 MANITOBA BUDGET ADDRESS

CONTENTS

AFFORDABLE GOVERNMENT 2

BUILDING MANITOBA 3

FISCAL IMBALANCE, FUTURE SUSTAINABILITY 5

HEALTH CARE 5

EDUCATION AND YOUTH 8

SUPPORTING FAMILIES 11

SAFER COMMUNITIES 12

BUILDING OUR COMMUNITIES 14

CONSERVATION AND WATER STEWARDSHIP 17

MANITOBA ECONOMY 19

BUILDING ON OUR ENERGY ADVANTAGE 20

BUILDING THROUGH RESEARCH AND INNOVATION 21

TAXATION 22

OUR FISCAL PLAN 25

CONCLUSION 25

Also available

THE BUDGET PAPERS (in one volume)

- Budget Paper A – The Economy
- Budget Paper B – Financial Review and Statistics
- Budget Paper C – Restoring Fiscal Balance
- Budget Paper D – Taxation Adjustments

THE MANITOBA ADVANTAGE

TODAY'S CHALLENGES, TOMORROW'S OPPORTUNITIES

Thank you, Mr. Speaker.

I am privileged to present the 2004 Manitoba Budget – a Budget that meets today's challenges and builds on our long-term plan for growth and opportunity.

Budget 2004 is a balanced Budget. It focusses on the priorities of Manitobans. It deals head-on with challenges that face our province:

- the national economic growth slowdown during this past year;
- a reduction of $104 million in federal funding for Manitoba health care; and
- the continuing responsibility to pay down the Province's debt and pension liabilities, while protecting the Fiscal Stabilization Fund.

Budget 2004 continues our plan which has won two credit upgrades for Manitoba. Our record over five Budgets – reducing taxes, paying down debt and pension liabilities, upholding balanced budget legislation, and planning for the future – is one of affordability and sound fiscal management.

Our Budget projects no draw from the rainy day fund for the first time since 1996, and again pays down $96 million in debt and pension liabilities. Budget 2004 also follows through on promised tax relief for Manitobans.

Mr. Speaker, Manitobans are still dealing with the challenges of what proved to be a very difficult past year: the BSE crisis, the second-worst forest fire season in Manitoba history, the sudden rise in the value of the Canadian dollar, drought conditions for farmers, and low water levels for Manitoba Hydro.

All of these combined to slow the growth of our economy. Manitoba's economy was projected to grow 3% at the start of 2003, but finished the year at 1.9%. Canada's growth rate fell even further.

The challenges of 2003 had an impact on all Manitobans, as well as on Provincial finances.

While other provinces delayed promised tax relief, or cut investments in vital programs and infrastructure, we worked hard to follow through on our commitments of the past four Budgets.

As promised – the Province has invested in the priorities of public health care, education, and supports for children and families.

As promised – $301 million in personal taxes were cut.

As promised – $480 million for debt retirement, including $96 million more in today's Budget.

We have kept our commitments because these are the best investments we can make for Manitobans – today and tomorrow.

Affordable Government

To keep building for the future, we need to keep government affordable. Our total expenditures per person are the third-lowest in Canada.

Budget 2004 maintains our commitment to affordability by introducing new measures to reduce administration costs while preserving front line services.

This Budget sets in motion a plan to eliminate 400 Government positions, saving over $30 million in salaries and related expenses. We expect to achieve these savings through attrition, and do not expect any layoffs. In addition, all departments have been directed to reduce discretionary spending by up to 7%.

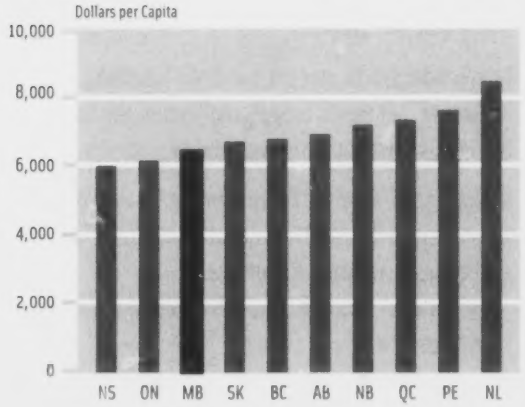
We believe in honouring collective agreements with public sector employees. At the same time, we will be seeking moderate salary costs in line with Manitoba's low cost of living.

In Budget 2004, 12 departments – the majority of departments – are holding the line below inflation or reducing spending.

In addition, Budget 2004 introduces a number of new and ongoing efficiencies.

- A further $32.5 million reduction in the Province's borrowing costs – Manitoba's borrowing costs are among the lowest in Canada.
- Driver and Vehicle Licencing will now be housed with the Manitoba Public Insurance Corporation, allowing for reduced duplication of administrative services and increased customer service.

Total Expenditure by Province, 2003/04



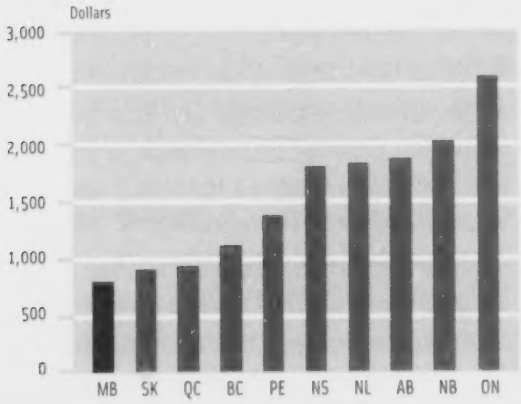
Sources: Statistics Canada and provincial mid-year financial statements

- Penalties on overdue own-source taxes will be increased.
- The sale and lease of Crown lands will be consolidated in a single agency.
- Administration, information technology and financial services will be shared between departments.

An internal expenditure management committee will continue to work with departments to review all government expenditures with a goal of finding additional efficiencies.

Manitoba's Crown corporations play an important role in keeping our province affordable. Both Manitoba Hydro and Manitoba Public Insurance offer high-quality service, reliability and low costs to consumers. Independent studies show our public utilities have among the lowest rates in North America.

Average Auto Insurance Rates by Province, 2003



Source: Consumers Association of Canada, September 2003

Building Manitoba

Our infrastructure priorities have focussed on health, education, highway renewal, community and downtown revitalization, and water management.

Our first job was a strategic rebuilding of health care facilities across Manitoba. A state-of-the-art redevelopment of the Brandon Regional Health Centre is completed, and a major expansion of Winnipeg's Health Sciences Centre is under way. From Steinbach to Swan River, from Pinawa to The Pas, significant investments have been made in modernizing health care facilities and upgrading critical diagnostic equipment.

Including resources in Budget 2004, over $288 million has been allocated to capital funding for public schools since 1999 – almost double the funding over the previous five-year period. The funding has resulted in 33 major addition/renovation projects, 11 replacement schools, and eight new schools, including facilities in Winkler, Mitchell, Norway House, Gimli, East Selkirk and Winnipeg.

Since 1999, capital improvement projects have been undertaken at every campus in Manitoba. The third phase of the downtown Red River College campus is complete. At the University of Manitoba, the new $52 million Engineering and Information Technology Centre, and the $25 million Richardson Centre for Functional Foods and Nutraceuticals, are also proceeding. Discussions are under way on the renewal of Brandon's Assiniboine Community College.

Our $50 million contribution to the University of Manitoba's *Building on Strengths Campaign*, the largest post-secondary capital campaign in Manitoba's history, has helped to leverage an additional $187 million in private sector support – for a total of $237 million.

We are currently negotiating a new Canada-Manitoba infrastructure program, focussing primarily on rural and Northern regions, which will provide new resources from each level of government for vital infrastructure needs throughout Manitoba.

The following measures will be introduced to address current and future Provincial infrastructure needs. Effective midnight April 30, the tax rate on diesel fuel will be synchronized with the rate for gasoline. This new diesel fuel tax rate remains the second-lowest among the provinces.

Average Residential Hydro Prices North American Cities

Source: Hydro Québec, May 2003

Vehicle registration fees will increase by $23 effective July 1, and an additional levy will be applied for land transfers in excess of $200,000 beginning July 2004. These measures will generate $9.5 million in this fiscal year.

We are currently in the third year of a five-year, $600 million highways program, which is providing better, safer roads throughout Manitoba. Budget 2004 builds on this commitment, adding $10 million in construction for the upcoming season, and a further $10 million for the following season.

As a result, the twinning of the Trans-Canada Highway will be completed a year earlier, in 2006; the resurfacing of major portions of Highway 6, through the Interlake and into Northern Manitoba, will begin this summer; and the twinning of the Perimeter highway northeast of Winnipeg and Highway 59 South will proceed over the next three years.

Since 1999, 45 Northern communities have received improved drinking water and waste water treatment facilities. Budget 2004 will continue to invest in water management and water quality initiatives.

Budget 2004 continues to invest in the first phase of the Floodway Expansion initiative. To date, Canada and Manitoba have committed a total of $240 million in Floodway funding. When completed, the $660 million project will provide our capital with one-in-700-year flood protection.

Following on the Clean Environment Commission recommendations of last August, the Province, the

City of Winnipeg and the federal government recently entered into a $72 million agreement to upgrade sewage and waste water treatment in Winnipeg – safeguarding the health of the Red River and Lake Winnipeg. The same tri-level agreement provides for the construction of the Kenaston Underpass and the development of a rapid transit system in Winnipeg.

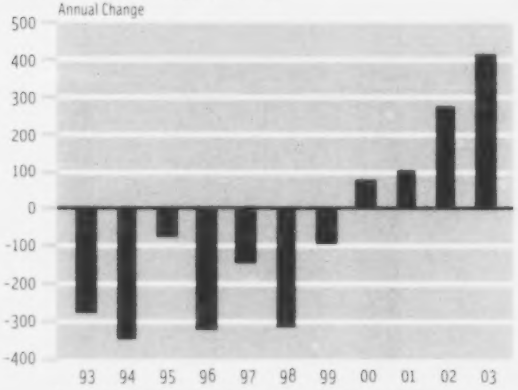
Fiscal Imbalance, Future Sustainability

Mr. Speaker, the Conference Board of Canada indicates that Alberta and the federal government will be running surpluses over the next decade, while the provinces collectively struggle to fund health and education, and local governments face a serious infrastructure deficit. The Board says that under these circumstances, the national health care system will become unsustainable.

Our first priority is to seek a new funding partnership with the federal government for health. Once a new, sustainable agreement on the immediate and longer-term direction of health care is complete, we can then begin to address the serious infrastructure deficit facing our municipal governments.

Here in Manitoba, the City of Winnipeg made a significant contribution to the understanding of this pressing issue on the national stage. In addition, Manitoba is unique among the provinces in sharing a portion of both personal and corporation income taxes with municipalities. The amount shared is equivalent to five cents per litre in gasoline taxes to municipalities.

Active Practising Nurses



Source: College of Registered Nurses, College of Licenced Practical Nurses
College of Registered Psychiatric Nurses

Overall, in 2004, the Province of Manitoba will provide over $140 million in grants and revenue transfers to the City of Winnipeg. The federal government will provide approximately $11 million.

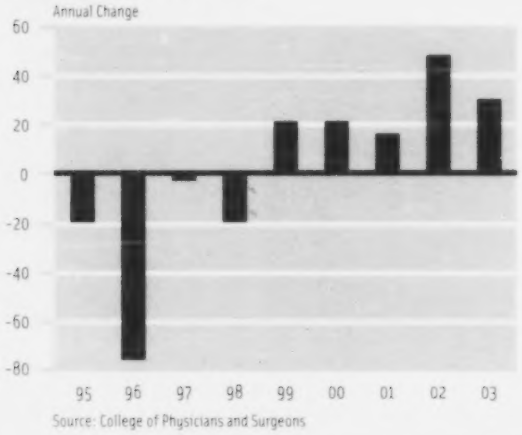
After securing a new agreement on future health funding, we look forward to working co-operatively with the federal government and Manitoba municipalities to tackle infrastructure needs head on.

Health Care

We have a major sustainability challenge in health care, and it is here that we continue to seek a lasting and meaningful federal partnership.

Beginning in 1999, an unprecedented provincial commitment helped to stabilize a health care system that faced serious nurse and doctor shortages along with deteriorating hospitals and diagnostic equipment.

Net Gain/Loss of Doctors Manitoba, 1995-2003



Source: College of Physicians and Surgeons

- We have tripled the number of nurses graduating in Manitoba in large part as a result of re-instating the diploma RN program.
- With the number of licenced practitioners increasing by almost 7% over the past five years, Manitoba now has more doctors than at any time in the past decade.
- The new Brandon Regional Health Centre has just opened – a modern hospital that will serve WestMan patients for decades to come.
- Such leading-edge medical equipment as Canada's first gamma knife is now available right here in Manitoba.
- Communities like The Pas, Selkirk and Steinbach now have access to CT scans in their local hospitals.

According to the Cancer Advocacy Coalition of Canada, Manitoba has among the shortest waiting times in Canada for cancer treatment – wait times have been cut in half since 1999.

The Canadian Diabetes Association has recognized Manitoba as having one of the best treatment programs in Canada.

The Canadian Association of Radiologists found that Manitoba has one of the shortest MRI waiting times in Canada.

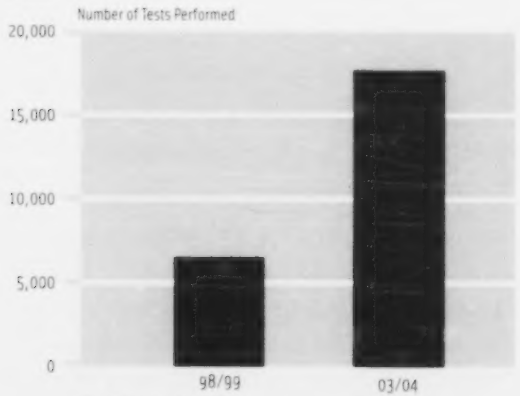
We have accomplished these milestones, while the federal commitment to Medicare has continued to falter. At a time of major surpluses in Ottawa, the federal government funding share for health care is projected to decrease this year to 16% of the total cost. This is well below the 25% recommended in the Romanow Report.

In Budget 2004, health care as a whole will receive an increase of 5.2% – the largest increase of any department. As the cost of providing health care to Manitobans continues to grow much faster than available resources, we can no longer stay on our current course.

Health resources will continue to be redirected from regional health authority administration to front line care.

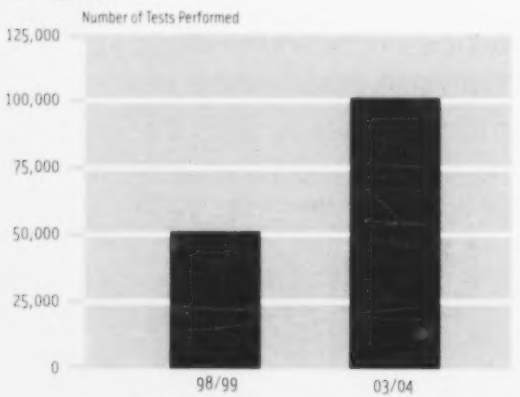
Our Pharmacare system covers medication costs for Manitobans in need. Over the last five years, spending on this important program has more than doubled – this year's budget is $177.5 million. In addition to this funding increase, measures are being taken to control spiraling drug costs.

MRI



Source: Manitoba Health

CT Scans



Source: Manitoba Health

The use of generic drugs will be encouraged. As well, we will examine best practices from other provinces to ensure that the most effective, lowest-cost medication is covered whenever possible. As in previous years, deductibles will rise by 5%. As well, two new deductible levels will distribute the cost more fairly. By taking these measures now, we can ensure that Pharmacare will remain available to Manitobans who need it.

Manitobans want their loved ones to get the care they need quickly. Budget 2004 provides resources to address waiting times, improve service in emergency rooms, and ensure an adequate supply of health care professionals.

This Budget provides strategic investments and reforms that improve patient care and continue building a system that is more efficient in the long run including:

- the first MRI outside of Winnipeg, which will be located at the Brandon Regional Health Centre;
- meeting the need for an increased number of heart surgeries;
- more staff in emergency rooms dedicated to reducing waiting times;
- better access to family doctors and health information; and
- dialysis treatment closer to home for Northern Manitobans.

Through the College Expansion Initiative, $5 million has been invested annually since 2000 in expanded education for health professionals. We have used the nursing recruitment and retention fund to bring hundreds of nurses back to Manitoba. This year, we will re-allocate a portion of this fund to further expand our successful diploma nursing program and increase opportunities for Manitobans who want to make health care their career.

Budget 2004 will invest resources to educate more Manitoba nurses throughout the province. Licenced

Practical Nurses in rural Manitoba will be offered the opportunity to become Registered Nurses. Nurses who want to return to the profession will receive assistance to refresh their skills.

In the last five years, the number of diagnostic tests, such as MRIs, CT scans and ultrasounds, has almost doubled and, in some cases, tripled. More than ever, Manitobans have access to the latest medical technology. To continue this progress, Budget 2004 provides resources to enhance training for diagnostic professionals.

Manitobans are also taking more responsibility for their own health – one more important piece in making the health care system sustainable. The new focus on healthy living assists our long-term plan to help reduce health care costs by increasing the well-being of Manitobans.

Manitobans will benefit from the $3.9 million federal/provincial contribution toward the Kinsmen Reh-Fit Centre's expansion. This facility combines fitness, nutrition, and medical care under one roof.

We believe that government should help promote healthy lifestyles from the earliest years. To this end, the Task Force on Youth Fitness and Health will hold public consultations across the province to gather suggestions on improving nutrition and increasing activity levels for our young people.

In the recent federal Budget, it was announced that additional funding for immunization will be available. Our Government is committed to expanding the use of vaccines to prevent serious childhood illnesses.

Following on the recommendations of the All-Party Task Force on Environmental Tobacco Smoke, the Minister of Healthy Living took a leadership role in tabling Bill 21, *The Non-Smokers Health Protection Amendment Act*. This will make Manitoba the first province in Canada to adopt a province-wide indoor smoking ban as of October 1, 2004.

From January 2001 to June 2003, smoking in Manitoba has decreased approximately 19%, according to Health Canada. To further discourage smoking, the tobacco tax rate will increase two cents per cigarette at midnight tonight.

Education and Youth

Creating tomorrow's opportunities starts with a strong commitment to education and our young people. This commitment lies at the heart of our economic growth strategy.

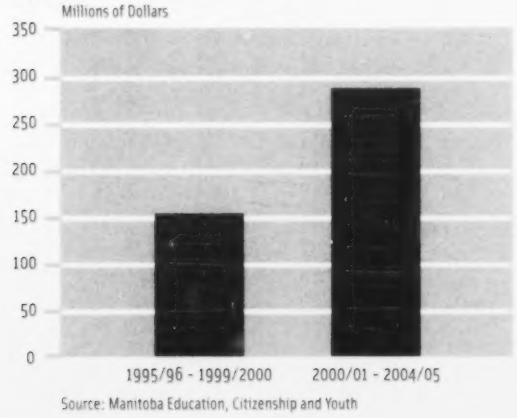
Since 1999, we have worked in partnership with parents, teachers, and communities to provide stable funding for schools, improve the efficiency of public school administration, and modernize school infrastructure.

Earlier this year, we announced our intention to increase school funding by $17.6 million – a 2% increase. This is the fifth consecutive year our Government has kept our commitment to fund schools at the rate of economic growth, for a total increase of $105 million.

New resources will be directed toward:

- Aboriginal academic achievement;

Capital Funding – Public Schools



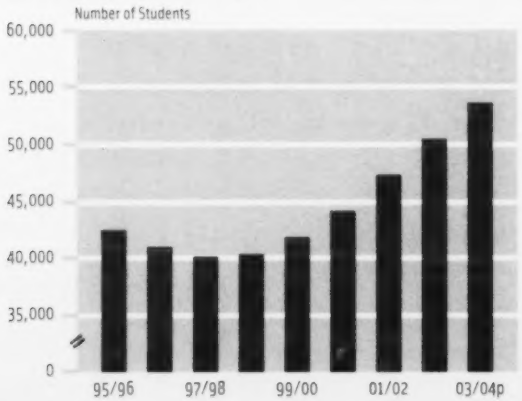
Source: Manitoba Education, Citizenship and Youth

- special needs education, which has increased almost 25% since 1999/2000;
- English as a Second Language programs;
- counselling and guidance; and
- library support.

We are embarking on a multi-year initiative with new resources in Budget 2004 to improve the curriculum and options for high school vocational education. This initiative will improve the links to post-secondary educational institutions, to apprenticeship opportunities, and to employers.

With new resources in Budget 2004, we are placing a greater emphasis on citizenship, and giving students new tools to understand their role as contributing members of society.

Total College and University Enrolment, 1995/96 to 2003/04p



p - Preliminary

Source: Council on Post-Secondary Education

Resources will also be provided to create a Teachers' Institute at the Manitoba Legislature for teachers to learn more about parliamentary democracy and bring that experience and understanding back to the classroom.

Mr. Speaker, tax relief to homeowners is part of our investment in education, and we have reduced education property taxes every year by increasing the tax credit or reducing the residential Education Support Levy (ESL).

During the 1990s, property values were flat, while education property taxes rose by an average of 66%. Today, this situation has reversed, with strong growth in property values and flat education property taxes. Higher school division levies have been fully offset for most Manitobans by reductions in Provincial education

property taxes. With today's Budget, we have reduced education property taxes by $92 million since 1999.

Despite the challenges of the past year, this Budget will fund a further $10 million reduction in the residential Education Support Levy. In 2004, our additonal ESL reduction will save homeowners $40.50 on a $125,000 home – bringing the total ESL savings since 2001 to $159 for the same home.

Manitoba's Education Property Tax Credit provides $179 million in assistance to homeowners and renters to offset their property taxes. Next year, we intend to transfer $100 million in property tax credits directly to school divisions. To ensure transparency and equity for homeowners from this transfer, there must be no reduction in benefits to individual recipients. This change will ensure accountability in Provincial education funding.

In our first mandate, we saved Manitoba farmers $7 million when we reduced the farmland portioning from 30% to 26%.

In our second mandate, we committed to reduce education taxes on farmland by 20%.

For 2005, farm education property taxes will be reduced by 5% as a first step. We will undertake consultations to determine how best to implement this commitment.

Through Budget 2004, we will continue to keep Manitoba post-secondary tuition among the most affordable in Canada, offer new or expanded programs, invest in vital infrastructure, and increase the education options available for all Manitobans.

Since 1999, we have made tremendous strides forward.

- University enrolments have increased by 28%.
- College enrolments are up over 30%.
- Apprenticeships are up 18%.
- The number of nurses in training has tripled.
- High-tech training in aerospace and life sciences has increased by almost 1,000 students.

In 2000, tuition was cut by 10% and has been retained at that level for the past four years. This Budget continues the tuition rebate for the fifth straight year, improving accessibility and helping students keep debt loads manageable.

Total support for colleges and universities in Budget 2004 will increase by 3.5%.

New resources will go to:

- the College Expansion Initiative, to continue expanding educational opportunities;
- the Post-secondary Strategic Initiatives Fund, to stimulate new program development; and
- the Access Program, which assists individuals who have traditionally faced barriers to college and university.

Earlier this year, we introduced legislation to establish the University College of the North (UCN) as a Manitoba post-secondary institution. Today, our Government is moving forward with new support for UCN.

The UCN will make post-secondary education more accessible by delivering courses closer to home and ensuring Aboriginal and northern people have full participation in the governance of this new institution.

Funding will also be made available for the Hydro Northern Training Initiative to improve the delivery of training and employment opportunities for Northern Aboriginal residents resulting from hydro-electric development.

We will allocate $200,000 to train Manitobans for employment opportunities related to the expansion of the Red River Floodway.

We are channelling significant new support for graduate scholarships to stimulate research-based graduate studies in Manitoba. This investment will help enable us to retain our top students and to foster research that will support economic growth and prosperity in the province.

Supporting Families

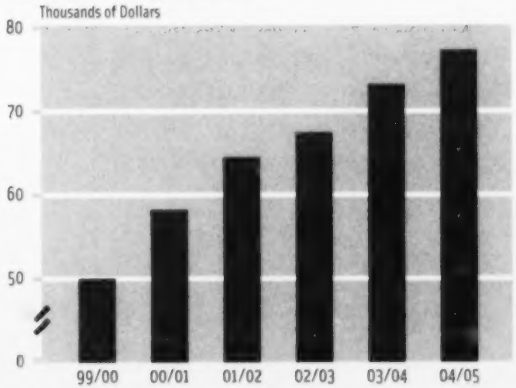
Mr. Speaker, we know that investments in the early years generate positive outcomes both for our children and for society.

Through Budget 2004, Healthy Child Manitoba will receive new resources for BabyFirst and EarlyStart programs. These programs offer important resources to low-income families with very young children.

In addition, new resources are being allocated to support francophone early childhood development to enable the francophone community to develop culturally and linguistically appropriate programs.

New resources have been allocated to expand early childhood development testing to help school divisions measure how Manitoba children are developing before they start grade one.

Child Care Expenditures



Source: Manitoba Family Services and Housing

We will also direct funding toward a new Children's Therapy Initiative which has been introduced to improve children's early access to services such as speech and language therapy.

Manitoba has a long tradition of supporting the efforts of the United Way. In fact, we are the only province in Canada that covers the organization's administration costs. I am pleased to announce Budget 2004 improves support for United Ways throughout the province, ensuring every dollar donated is spent on important community services.

The Office of the Children's Advocate recently conducted a review of the Winnipeg Child and Family Services emergency shelter system. Our Government has responded immediately by phasing out shelter care for younger children. We have already begun an implementation process to improve family-based services for children in care.

Supporting Families

In the last five years, the Province has made a commitment to families with an additional $26 million for child day care, and more than $58 million for early childhood development in areas such as:

- **funding 3,500 new child care spaces;**
- **a 51% increase in funding over five Budgets for child day care;**
- **establishing 26 parent-child centres to improve parenting supports;**
- **supporting the Healthy Baby program for new mothers and providing a nutrition supplement for low-income pregnant women.**

Mr. Speaker, during the 1990s, funding was cut dramatically for persons with disabilities, resulting in reduced services and a diminished quality of life for some Manitobans. We have taken action.

We appointed a Minister Responsible for Persons with Disabilities and opened a new Disabilities Issues Office, a centre of co-ordination for disability policy, which ensures meaningful consultation with the disability community and addresses issues of importance to persons with disabilities. Budget 2004 provides a $12.3 million, or 11%, increase for the Supported Living Program, which helps persons with disabilities live in the community.

In the 1990s, Manitoba's minimum wage failed to keep pace with inflation. Since 1999, we have increased the minimum wage by 16.7%. I am pleased that with the April 1, 2004 increase to $7.00, we have restored the purchasing power for Manitoba workers, students and low-income families.

Our efforts to rebuild and revitalize neighbourhoods, particularly in Winnipeg's inner city, have brought a measure of pride back to many communities. In some areas, housing values are up over 60%.

Over four years, $12 million has been allocated to the Neighbourhood Housing Assistance program to help communities improve housing stock and help low-income homeowners and renters obtain affordable housing.

The governments of Canada and Manitoba are each contributing $25.4 million to the Affordable Housing Initiative over five years – with $6 million dedicated to housing in the North. We have also doubled the Provincial contribution to the Residential Rehabilitation Assistance Program to $2 million.

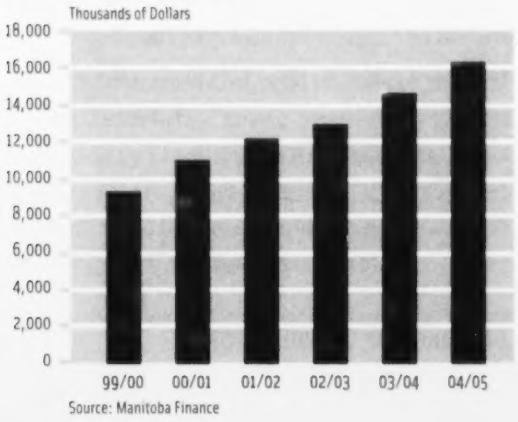
Since 1999, commitments have been made to build, renovate or repair over 2,100 homes in Manitoba under the Neighbourhood Housing Assistance program and the Affordable Housing Initiative.

Safer Communities

Quality housing, supports for children and families, thriving neighbourhoods and safe communities are important components of healthy living.

When our Government came to office in 1999, problems such as auto theft and arson were growing. Organized crime had a new profile in Manitoba following the arrival of the Hells Angels in 1997.

Prosecution Expenditures



Source: Manitoba Finance

Our Government immediately began tackling these complex problems with a comprehensive approach toward fighting crime and improving public safety.

Our approach means more resources for police and prosecutors, new legal tools for law enforcement agencies, and a greater emphasis on prevention programs that work.

We also funded Manitoba's first organized crime task force and have shut down over 50 houses conducting illegal activity including sniff, drugs and prostitution.

We have introduced new strategies to fight auto theft and impaired driving, and launched the successful Lighthouses program designed to provide youth with healthy alternatives to the streets. Budget 2004 provides resources for the establishment of five new Lighthouses.

Our approach means recognizing the need for more resources on the front lines – and Budget 2004 continues to invest in efforts that have been under way since 1999.

We are fighting organized crime by:

- supporting the new joint-forces organized crime task force and the RCMP Gang Awareness Unit;
- funding the RCMP to enable it to achieve full complement – bringing total support for Provincial police to $70.2 million, an increase of 26% since 1999; and
- expanding the collaboration between police, prosecutors, and corrections staff through the

Strengthening Communities – Confronting Poverty

As of January 2004, the Province has:

- fully restored the National Child Benefit (NCB) for families with children under the age of 18, putting $13.7 million back into the pockets of low-income families in Manitoba;
- increased support for general assistance recipients and persons with disabilities;
- increased earnings exemptions for families on income assistance with children;
- extended training supports from one year to two for single parents with children under six; and
- recorded a significant drop in income assistance caseloads compared with a decade ago.

By eliminating the clawback of the NCB, and allowing new child tax benefits to flow to families on income assistance with children, those families are 15% to 20% better off than they were in the 1990s.

Criminal Organization and High Risk Offender Unit to target gangs and predators.

The Department of Justice has commenced extensive consultations with over 24 major industry stakeholders that use "in-house" security in some form. The Department is working toward developing regulatory policies within this newly emerging and complex industry that will include employment standards and training.

Supporting our prosecutors has also been a top priority, and we have increased the prosecutions budget by 67% since 1999. Today's Budget adds resources for another senior prosecutor for cases involving child victims.

Budget 2004 builds on these efforts by providing further resources for police and fire fighting services, enhancing community partnerships, and supporting those at greatest risk. The Budget provides:

- new resources for the Dakota Ojibway Police Service, Opaskwayak Cree Nation Policing, and Aboriginal policing at Nelson House;
- new funding of over $350,000 to support the Victim Notification and Tracking System, to inform victims of court dates, trial outcomes, and other events related to their cases;
- resources to permanently establish Turnabout, the first Provincial program of its kind in Canada, to ensure meaningful interventions and consequences for offenders under 12 years of age;
- resources to expand Safety Aid, a program providing security equipment for low-income seniors; and
- enhanced regional support for child victims through Victim Services.

Our Government also recognizes that it must address challenges facing the justice system. Since 2001, funding for Legal Aid has increased by 30%.

This year, funding for Legal Aid will again increase. Yet significant challenges persist – challenges such as high expenditures on high-profile and multi-accused cases. Changes will be made to preserve the mandate of Legal Aid, which is to ensure legal representation for those who could not otherwise afford it.

Building Our Communities

Mr. Speaker, we remain committed to providing community and economic development opportunities in all regions of Manitoba. Through Budget 2004, resources will be provided to ensure we are able to build on the growth strategies we have developed in consultation with citizens, Elders, agricultural producers, educators and business leaders.

In rural Manitoba, investments in bioscience, nutraceuticals and food development will continue.

New supports will be delivered to rural students, entrepreneurs and agricultural producers. We will continue to stand with our livestock producers in the face of the BSE crisis.

We will make the investments necessary to ensure the expertise and technology required to thrive in the new economy are there for rural Manitoba.

And we will continue to make investments in health care and supports for families to improve the quality of life for Manitobans across the province.

In Northern Manitoba, we will continue to work hard to implement the goals laid out in our Northern Development Strategy, which is designed to identify opportunities to develop the human and natural resources of the region.

Resources will be provided for the Aboriginal Economic and Resource Development Fund, which supports our Northern Strategy through projects like the Northern Forest Diversification Centre.

Resources will also be provided for the implementation of a Northern Healthy Foods Initiative to promote local and traditional food production and improve nutrition for families.

Northern infrastructure will remain a priority in Budget 2004, including winter roads, Northern airports and other transportation infrastructure. We will also deliver improved drinking water and waste water treatment initiatives.

Budget 2004 continues to support upgrades in community facilities throughout the province. Major recreation centres will be built or expanded in Thompson, The Pas and Dauphin, with contributions from all three levels of government.

Revitalization efforts in our major urban centres are also continuing. Confidence, energy and enthusiasm are growing in Manitoba cities. In Brandon and Thompson, programs like Neighbourhoods Alive! and Lighthouses are making a difference.

Brandon is growing rapidly in terms of population, investment, and opportunity.

Supporting Agricultural Producers

The detection of BSE in a single cow in Alberta has resulted in many difficulties for Manitoba cattle producers and the rural economy. The Province has:

- **made over $180 million available in Provincial funding to assist producers, and to date, over $93 million has flowed to producers affected by BSE through low-interest loans, slaughter incentives, and transportation subsidies;**
- **worked to develop a producer-led, Manitoba-based cow and bull slaughter processing and rendering facility; and**
- **signed on to the national Agricultural Policy Framework Implementation Agreement with $50.3 million committed this year to the Canadian Agricultural Income Stabilization program to support farmers.**

We recently celebrated the opening of the new state-of-the-art Brandon Regional Health Centre.

The first MRI outside Winnipeg will be located in the Wheat City.

The Keystone Centre is being upgraded with Provincial assistance.

New programs and facilities at Brandon University and Assiniboine Community College are ensuring high-quality, accessible educational opportunities are available in WestMan.

And we will continue to work with the community to determine the best options for the future of the Brandon Mental Health Centre site.

Manitoba Immigration

Historic gains were made in 2003.

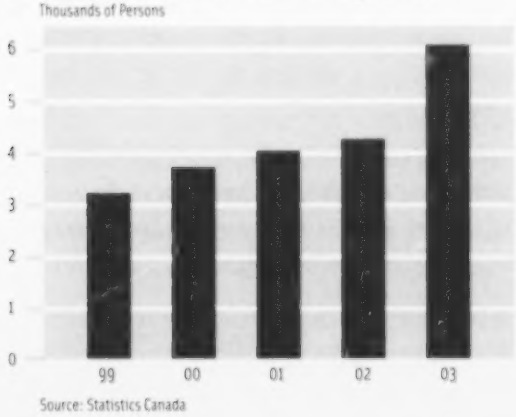
- Total net migration reached a 20-year high.
- Manitoba's population grew by 7,584 persons – the highest level since 1986.
- Almost 6,500 international immigrants came to Manitoba, the greatest number since 1990.
- New legislation will establish the Immigration Council, to support our goal of attracting and retaining 10,000 immigrants each year.
- The Provincial Nominee Program helped welcome over 3,000 provincial nominees and their families, almost half of the province's total immigration.
- The Provincial Nominee Program business component approved 172 entrepreneurs representing an investment potential of $64 million and commitments for the creation of 450 jobs.

In Winnipeg, major private and public projects like the new entertainment complex and the Health Sciences Centre are proceeding. The Canadian Museum for Human Rights is in the planning stages and a new downtown Manitoba Hydro building is on the horizon.

The third phase of the downtown Red River College campus is complete. At U of M, a new $52 million Engineering and Information Technology Centre and the $25 million Richardson Centre for Functional Foods and Nutraceuticals are also proceeding.

Our $50 million contribution to the University of Manitoba's Building on Strengths campaign, the largest post-secondary capital campaign in Manitoba's history, has helped to leverage an additional $187 million in private sector support – for a total of $237 million.

Manitoba Net International Migration



Source: Statistics Canada

Our capital city's housing market is growing, and new affordable housing will continue to be delivered through resources in Budget 2004.

Mr. Speaker, one of Manitoba's greatest strengths is its diverse and vibrant multicultural communities. Budget 2004 provides additional resources for the implementation of our Immigration Strategy.

Manitoba now has a greater role in provincial immigration planning through a renewed Canada-Manitoba Immigration Agreement signed in June 2003.

To support immigrant settlement and provide language training, the governments of Canada and Manitoba will provide additional resources to the Manitoba Immigrant Integration Program.

We are working to increase the number of immigrants coming to Manitoba, but we are also working hard to increase the number of tourists coming to Manitoba.

Tourism contributes approximately $1.4 billion to Manitoba's economy and employs – directly or indirectly – 60,000 Manitobans. We have introduced legislation to create an arms length Government agency, similar to Manitoba Film & Sound, with the flexibility to seize new tourism opportunities through a public-private partnership.

By working with the tourism industry and examining the experiences of other provinces, we can ensure this important area of our economy continues to expand and prosper.

Conservation and Water Stewardship

A wealth of clean, fresh water, beautiful beaches, unspoiled wilderness areas, pristine parks and recreational facilities – these are a major part of our Manitoba Advantage. We know we must continue to preserve and enhance our natural beauty.

Our commitment to water quality encompasses all aspects – from source to tap. The mandate of the newly created Water Stewardship Department – the first of its kind in Canada – is to focus our efforts on protecting and managing our water.

We have already proclaimed some of the strongest legislation in North America to protect drinking water, subsidized water tests, brought in mandatory training for water operators, hired 12 new drinking water officers and 16 livestock inspectors, and invested $50 million in drinking water and sewer infrastructure.

Budget 2004 will provide strong support for the continued improvement of Manitoba's water resources.

Resources will be provided to support the Lake Winnipeg Stewardship program, with the goal of identifying means to reduce harmful nutrients in the Lake.

We have introduced *The Water Protection Act*, to facilitate more effective measures to protect water sources and aquatic ecosystems, provide a framework for integrated planning on a watershed basis, and enable the establishment of the Manitoba Water Council and Water Stewardship Fund.

Provincial Investments in the North

- The Northern Forest Diversification Centre in The Pas makes a link between the growing demand for wild, natural, non-timber forest products and meeting the challenge of creating sustainable economic opportunities in remote areas.
- Providing dialysis patients in the Island Lake region of Northern Manitoba with treatment closer to home at a new $5.2 million renal health and treatment unit at Garden Hill.
- Providing almost $11 million for a new emergency department, other improvements and new equipment including a new CT scanner at the Thompson General Hospital.
- Investing in the Churchill Gateway Initiative to ensure the operation of the Hudson Bay rail line and the Port of Churchill for the 2003 season.

The *Act* will be backed up with changes to livestock operation approvals processes and a Provincial commitment to meet the Clean Environment Commission's recommended standards for waste water treatment in Winnipeg and Brandon.

Based on public input, we will focus resources in the coming year on the development of new regulations and implementation of this leading-edge legislation.

We will provide support for the Livestock Management Program to address additional responsibilities for inspection and enforcement. To encourage farm businesses to invest in equipment to reduce odours from organic waste, we are introducing a 10% Odour Control Tax Credit.

Recently, North Dakota began a water diversion project that would potentially harm our rivers and lakes. Working with other governments and concerned citizens on both sides of the border, we have responded by launching a legal challenge.

In 1997, Winnipeg came within inches of a devastating flood that would have cost the Province over $6 billion in damages. Risk to the city of Winnipeg remains at a cost of approximately $80 million per year, not including business losses, if no additonal protection works are constructed.

I am pleased to report that work is now commencing on the $240 million first phase of the floodway expansion.

The expansion project will almost double the water capacity of the floodway and will increase the level of flood protection for the city of Winnipeg from a one-in-90-year flood event, such as the 1997 flood, to a one-in-700-year flood event, equivalent to the 1826 flood – the largest ever recorded in Manitoba. Increased capacity will also benefit upstream properties.

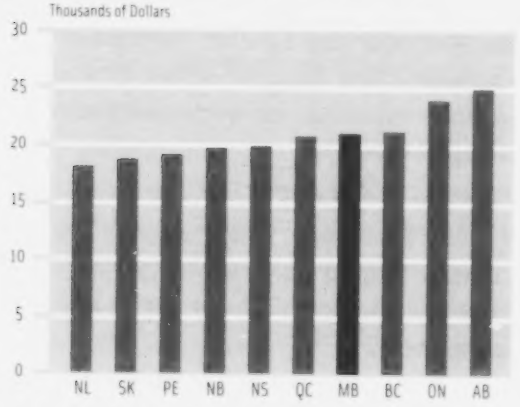
This $660 million capital project will create economic opportunities for communities, businesses and Manitoba workers. The project will create thousands of direct and spin off jobs in the local economy during the six-year construction period, and leave a recreation legacy both inside and outside of the city of Winnipeg.

The Province has also provided flood fighting resources to the people of Peguis First Nation who have been flooded by the Fisher River. An important priority for our Government is the negotiation of a federal-provincial cost-shared initiative to improve flood forecasting, prevention and remediation in the Fisher River area, including Peguis First Nation.

To further enhance Manitoba's many natural assets, we have designated five new provincial parks since 1999 – Pembina Valley, Caribou River, Trappist Monastery, South Atikaki, and the Criddle/Vane Homestead – encompassing a total of nearly 800,000 hectares. We have also recently signed an agreement that will lead to the creation of the Manitoba Lowlands National Park – Canada's newest national park.

We will make $350,000 available for the Cottage Lot and Campsite Development Initiative in provincial parks, and channel increased funding of $225,000 for beach safety. In addition, the Protected Areas Initiative will receive $100,000 to further support our network of protected areas in Manitoba.

Disposable Income per Person, 2002



Source: Statistics Canada Provincial Public Accounts, April 2003

Manitoba Economy

The strengths of Manitoba's economy remain our diversity, and the ability of our citizens and business community to innovate, modernize, and adapt quickly to changing circumstances.

These strengths have allowed us to meet the challenges of the past year.

In 2003, Manitoba achieved:

- overall economic growth of 1.9%, which was below earlier expectations, but still exceeded the national average;
- population growth of 7,584 people – our strongest performance since 1986;
- net in-migration of 1,055 more young people, aged 15-24 – our best performance since 1984;
- the lowest unemployment rate in Canada at 5.0%;
- a record high in investment, which topped $6 billion;
- a 16.3% Increase in housing starts province-wide;
- personal disposable income growth of 3.1%, which outpaced the national increase; and
- the lowest inflation rate in Canada.

Over the period from 2000–2003, Manitoba's employment increased on average by 6,500 jobs per year, more than double the average of the previous decade. Of these, 5,100 were full time.

Projections for the year ahead are also promising.

- Manitoba's real growth rate in 2004 is expected to reach 2.9%, matching the national average.
- Growth in Manitoba's total capital investment is projected to be up 5.4% in 2004, third-best among provinces and ahead of Canada's 3.1% increase.

Manitoba is Building

Investments in Manitoba:

- $133 million 15,000 seat MTS Centre is being constructed
- $52 million for the Engineering and Information Technology Centre at the University of Manitoba
- $19 million for the Millennium Library Project, which is under way
- $15 million downtown office complex for the Credit Union Central of Manitoba is being planned
- $14 million Industrial Partnership Facility next to the National Research Centre's Centre for Biodiagnostics
- Manitoba Hydro's new downtown office building is on the horizon

- Manitoba's private investment in 2004 is projected to be up 2.2% – ahead of Canada's 2.0%.
- The level of total capital investment in Manitoba is estimated at $6.3 billion for 2004, over 70% of which is private investment. Total capital investment has jumped 22% since 1999.

In 2003, Manitoba's housing sector posted its third year of strong growth with housing starts up over 16%. Over the past three years, the total number of housing starts in Manitoba is up 64%.

Significantly, last year the number of multiple-unit dwelling starts rose by over 73% to the highest level since 1989.

Since 1999, the average house price has increased 24% across the province – a sign of the underlying strength of our economy.

Like all provinces, Manitoba has faced serious challenges recently, but the bedrock of our economy remains solid and the outlook is positive.

We will continue to work in close partnership with the Premier's Economic Advisory Council (PEAC). The Council is made up of business, labour, education, and community and Aboriginal leadership, and provides recommendations on crucial economic issues and creative thinking on the challenges and strengths of Manitoba.

A multi-stakeholder local investment council has been established under the auspices of PEAC to work with the community to enhance relationships with pension funds, capital funds, and other institutional investors to increase local investment.

The PEAC Aboriginal Economic Development and Employment Task Group is working to stimulate economic development and new opportunities for the Aboriginal community.

Later this year, the group will hold an Aboriginal Economic Development Summit, modelled after the successful Manitoba Century Summit, to facilitate new opportunities and effective partnerships in Aboriginal communities.

Building on our Energy Advantage

Manitoba continues to lead the nation in addressing climate change and developing clean energy.

Our abundant, environmentally friendly, renewable hydro resource continues to be a tremendous asset. Manitoba Hydro offers among the lowest electricity rates in the world and an exemplary record for reliability.

The 200 MW Wuskwatim hydro project is currently before the Clean Environment Commission. This $900 million investment would mark the largest capital construction project in Manitoba in well over a decade.

Our Government is pursuing opportunities to the east in Ontario and to the south in the United States to facilitate further large power sales that could lead to significant hydro-electric development and employment.

The Toronto Star has recommended that "Ontario, which will lose nearly half of its power generators to old age over the next dozen years, should be looking seriously at buying as much Manitoba power as it can."

Manitoba Hydro and other organizations are conducting wind-monitoring tests at more than 16 locations around the province to determine future options. The proposed 99 MW wind farm in St. Leon would be Canada's largest, and would trigger a $190 million investment in rural Manitoba.

We are working hard to diversify the rural economy and address climate change with increased ethanol production. Through the Manitoba Ethanol Office, we are working to co-ordinate the growth of the industry and encourage the development of made-in-Manitoba ethanol.

We are also taking steps to reduce our energy consumption with a new one-stop agency that will see Manitobans' energy bills reduced by building on the success of Manitoba Hydro's Power Smart program. This agency will free up electricity for lucrative export markets, reduce gas imports, and reduce water usage.

Building Through Research and Innovation

Research and development are key elements of our economy that promote growth and diversification and provide for higher living standards. Manitoba has enjoyed much success in this area, particularly in the life sciences sector.

Over the past two years, our province has benefited from a 40% increase in the number of life sciences companies. With approximately 4% of the country's population, Manitoba is responsible for about 10% of the national biotech activity.

The University of Manitoba is already one of Canada's major research institutions, and home to more than 20 research centres. Patents at the school have increased fourfold, from 11 to 40 over the past three years. Last year, researchers at the U of M realized $2.4 million in licencing revenue and over $8 million during the past five years.

SMARTpark, a community of innovators with a focus on life sciences, composite materials, and information and communication technologies at the U of M, continues to grow, including:

- the $8.5 million Cangene Corporation expansion;
- $6 million invested in two new multi-tenant facilities, with a further $6-8 million to be invested in a third facility in 2004; and
- start-up companies are being developed at SMARTpark's incubator (Incubat).

Communities like Hartney, Winnipegosis, and St-Pierre-Jolys are among a number of communities that now have access to high-speed connectivity and broadband. We continue to work with the private sector and community-based organizations to provide these services to those areas in the province where such services do not currently exist.

Drawing on our research expertise, Manitoba has taken a leading role in responding to SARS, BSE, West Nile virus, and other emerging health challenges.

With the federal government currently considering a location for the Canadian Centre for Disease Control, we believe Manitoba – home to the only Level 4 lab in the country – is the logical choice to be Canada's primary centre of excellence for research into infectious diseases.

No other Canadian jurisdiction has Manitoba's unique combination of research partnerships, scientific capability, infrastructure, and skilled professionals.

Budget 2004 sets aside $250,000 to enable us to continue to work with the federal government and experts in the field of biotechnology to ensure this important national institution is located right here in Manitoba.

Taxation

In our previous four Budgets, our Government has reduced personal taxes for Manitobans by $301 million annually. Our tax reductions for businesses add up to another $74 million annually.

This Budget funds a 6% middle income tax break, effective January 2004. This will save Manitobans $39 million this year.

This Budget also provides additional targeted personal income tax relief in line with federal budget changes.

- The Education Tax Credit will be extended to employees who pursue career-related studies at their own expense.
- A new deduction will recognize the additional employment and education-related costs borne by persons with disabilities.
- Caregivers will have improved tax recognition of certain medical and disability-related costs they bear on behalf of persons with disabilities.
- The employment income of military and police personnel deployed to high-risk assignments outside Canada will be exempt from taxation up to prescribed limits.

I am pleased to announce several new measures that will make Manitoba's business climate even more competitive.

- The Manitoba Film and Video Production Tax Credit is being extended for another three years. Several measures will enhance this Tax Credit, including a frequent filming incentive; and to encourage film activity outside Winnipeg – a rural and northern incentive will be created.
- To promote business investment in computers and data networks, the depreciation rates for related equipment will increase by 50% for income tax purposes.
- The temporary Mineral Exploration Tax Credit will be extended for an additional year.
- The non-capital loss carry-forward provision will be extended from 7 to 10 years. The carry-forward provision will be similarly extended for the Manufacturing Investment Tax Credit, the R&D Tax Credit and the Community Enterprise Development Tax Credit. A 10-year carry-forward provision will be introduced for the Co-operative Education Tax Credit.

Budget 2004 also follows through on our long-term plans for sustainable tax reductions.

- In 2001, we announced the first cut in the corporation tax rate since the Second World War. The rate fell in stages from 17% to 15.5% effective January 2004; it will fall again to 15% in 2005.
- The small business tax threshold will also increase for the third straight year. It will rise further to $400,000 in 2005.
- Corporations will also be exempt from paying tax on their first $5 million of capital expenditure to encourage investment by businesses of all sizes.

To protect essential services, Budget 2004 strikes a balance between new efficiencies, reduced expenditures and additional revenues. We recognize that additional shifting of business taxes is needed to help finance general business rate reductions. We are more closely aligning the capital tax base for banking institutions with our neighbouring provinces and the federal government. Like many other provinces, Retail Sales Tax will be applied to legal, accounting, engineering, architectural and security services.

We are also announcing that the Corporation Income Tax rate will fall to 14.5%, and the small business rate will be reduced to 4.5%.

Medium-Term Fiscal Framework

	2003/04[1]	2004/05	2005/06	2006/07	2007/08
			(Millions of Dollars)		
Revenue	7,279	7,571	7,849	8,051	8,408
Expenditure					
Program Expenditure	7,135	7,233	7,420	7,633	7,871
Public Debt Costs	256	239	275	293	293
Total	7,391	7,472	7,695	7,926	8,164
Net Revenue/(Expenditure)	(112)	99	154	125	244
Adjustments for Disaster-related Expenditure	75				
Interfund Transfers					
Debt Repayment	(96)	(96)	(110)	(110)	(110)
Fiscal Stabilization Fund	138	0	(34)	(5)	(124)
Balance under Balanced Budget Legislation	5	3	10	10	10

Note 1: Third Quarter Adjusted Forecast

The Medium-Term Fiscal Framework reflects current forecasts and assumptions. Should future circumstances depart from these, Budget decisions will reflect the changes.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2004/05 and 2003/04

	2004/05 Budget	2003/04 Forecast[1]	2003/04 Budget[1]	Increase/ (Decrease) from 2003/04 Forecast to 2004/05 Budget		Increase/ (Decrease) from 2003/04 Budget to 2004/05 Budget	
		(Millions of Dollars)		(Millions of Dollars)	%	(Millions of Dollars)	%
Revenue							
Own-Source	5,124	4,774	4,806	350	7.3	318	6.6
Federal Transfers	2,447	2,505	2,496	(58)	(2.3)	(49)	(2.0)
Total Revenue	7,571	7,279	7,302	292	4.0	269	3.7
Expenditure							
Program	7,233	7,135	7,037	98	1.4	196	2.8
Debt Servicing	239	256	271	(17)	(6.6)	(32)	(11.8)
Total Expenditure	7,472	7,391	7,308	81	1.1	164	2.2
Net Revenue	99	(112)	(6)	211		105	
Adjustment for Disaster-related Expenditure	0	75	0	(75)		0	
Interfund Transfers							
Debt/Pension Repayment	(96)	(96)	(96)	0		0	
Fiscal Stabilization Fund	0	143	48	(143)		(48)	
Restatement Adjustment	0	(5)	64	5		(64)	
Balance under Balanced Budget Legislation	3	5	10	(2)		(7)	

Note 1: See Budget Paper B, page 6

For the first time since the late 1980s, Manitoba Liquor Control Commission markups will also be adjusted.

Overall, the tax changes in this Budget, when combined with previously announced tax measures coming into effect this year, are revenue neutral for Manitoba taxpayers.

Our Fiscal Plan

Budget 2004 projects a positive balance of $3 million, with no draw from the Fiscal Stabilization Fund. This is the first Budget to project no draw from the Fund since 1996. Budget 2004 also provides for a further $96 million toward paying down debt and pension liability.

Over the past five years, accountability to Manitobans has been improved through more complete and transparent reporting. We produced the first ever Annual Report for Government – a critical piece in the accountability cycle – and introduced improved accounting practices for capital acquisitions. In addition to summary financial statements, we are now presenting summary budgets encompassing the entire Government reporting entity, including the 40-year unfunded pension liability.

Starting with Budget 2004, two additional changes will reflect our commitment to ever improving reporting. In keeping with the Public Sector Accounting Board's standards, we are introducing infrastructure capital accounting practices with this Budget. This policy change mirrors earlier changes made for other capital acquisitions.

In this year's Budget documents, we have also included a medium-term fiscal framework on a summary basis. We believe this additional information will help Manitobans better understand our planning for future years for the overall government.

Our medium term shows that in 2004/05, our operating accounts are in a positive balance. Our Crown organizations, including Manitoba Hydro, Manitoba Public Insurance and Manitoba Crop Insurance, are in an overall positive balance. We continue to address the 40-year unfunded pension liability through measures that fully fund all pension costs for new government employess, and we are making annual payments toward outstanding pension obligations.

For future years, the medium-term framework forecasts positive balances.

Conclusion

Mr. Speaker, this past year will be remembered as one of great challenges. It also underlined yet again that in the face of such challenges, Manitoba has the resilience, expertise, and leadership to succeed. We were not sidetracked from our shared goals of better health care, more educational opportunities for Manitobans, stronger families, and safer communities.

We are building an even better future in communities right across the province, and we are doing so in partnership with all Manitobans. Our economy is growing, consumer confidence is high, our housing market is strong, and we have achieved historic highs in immigration.

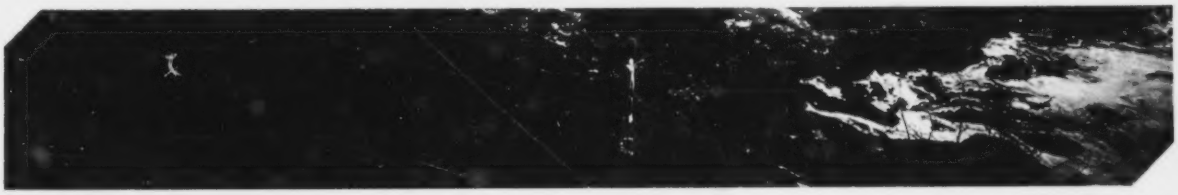
For five straight years, we met the test of balanced budget legislation, paid down debt and pension liabilities, and invested in the programs that Manitobans cherish most. Our Government has also taken positive steps to improve efficiency and remain one of the most affordable governments in Canada.

Budget 2004 builds on the solid progress we have made in the recent past. In meeting today's challenges, we are also building the opportunities for tomorrow and the next generation of Manitobans.

MANITOBA 2004

BUDGET PAPERS

TODAY'S CHALLENGES TOMORROW'S OPPORTUNITIES



Manitoba

Building for the Future

The 2004 Manitoba Budget

Budget Papers

The Honourable Gregory F. Selinger
Minister of Finance
April 19, 2004

This document is
available on the Internet at:
http://www.gov.mb.ca/finance
Other information available at this site includes:
The 2004 Manitoba Budget Address,
2004 Estimates of Expenditure,
2004 Estimates of Revenue,
The Manitoba Advantage,
Manitoba's Action Strategy for Economic Growth,
the latest Quarterly Financial Report and
Highlights of Manitoba's Recent Economic Performance.

By special arrangement, sections of this
document can be provided in alternative format
for visually impaired persons
requiring the information.

Printed on recycled paper.

ISSN 1702-7896

THE 2004 MANITOBA BUDGET

BUDGET PAPERS

CONTENTS

BUDGET PAPER A – The Economy
BUDGET PAPER B – Financial Review and Statistics
BUDGET PAPER C – Restoring Fiscal Balance
BUDGET PAPER D – Taxation Adjustments

Also available in English and in French:
The 2004 Manitoba Budget Address
The Manitoba Advantage

Budget Paper A

THE ECONOMY

THE ECONOMY

Contents

CANADIAN ECONOMY 1

MANITOBA ECONOMY 3

- Manufacturing 6
- Agriculture 7
- Mining 10
- Hydro-Electricity 12
- Housing 14
- Retail Sales 16
- Tourism 16
- Labour Market 17
- Investment 19
- Foreign Markets 22
- Manitoba Foreign Exports 23
- Population 24

MANITOBA ECONOMIC OUTLOOK 25

HIGHER INCOMES 26

THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY 27

Manitoba Economic Statistics, 1999 to 2003 30

Appendix 1: RESEARCH AND INNOVATION 32

Appendix 2: CLEAN ENERGY, CLIMATE CHANGE AND ECONOMIC DEVELOPMENT 42

CANADIAN ECONOMY

The Canadian economy grew 1.7% last year, about half the 2002 rate and below that of the U.S. for the first time since 1998 (see Chart 1).

A number of factors combined to weaken Canada's economic performance last year. Several "shocks" affected the economy, including the outbreak of SARS in Ontario, the closure of the U.S. border to Canadian cattle due to the single case of Bovine Spongiform Encephalopathy (BSE) in Alberta, and severe forest fires that affected several regions of Canada – including Manitoba, where forest fires were the second-worst ever recorded.

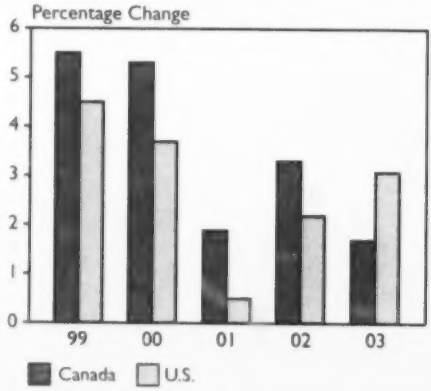
More significant, however, was the rapid appreciation of the Canadian dollar relative to the U.S. currency. From the beginning of 2003 to the end of the year, the Canadian-U.S. exchange rate increased by 20% (see Chart 2). Such a significant currency appreciation over a short period of time was unprecedented in modern times. While the increase in the exchange rate reduced the price of most imports to Canada, the higher dollar also reduced the competitiveness of Canadian goods exported into the U.S. market. This is significant since the U.S. accounts for 86% of Canada's merchandise exports.

The stronger Canadian dollar, combined with a weak U.S. economy in the first half of 2003 and U.S. restrictions on the import of cattle and wheat, pushed Canada's real exports down 2.1% in 2003. This was the third consecutive annual decline in real exports. Prior to 2001, Canada's real exports had increased for 17 consecutive years.

Canadian corporate profits reached a record high in 2003, surpassing their previous peak set in 2000. Profits rose 10.1% last year, led by the strong performance of oil and gas producers, retailers and wholesalers. Canadian businesses also boosted investment in 2003, as real spending on plant and equipment rose 3.4% after a 6.0% drop in 2002.

Chart 1

Real Gross Domestic Product At Market Prices



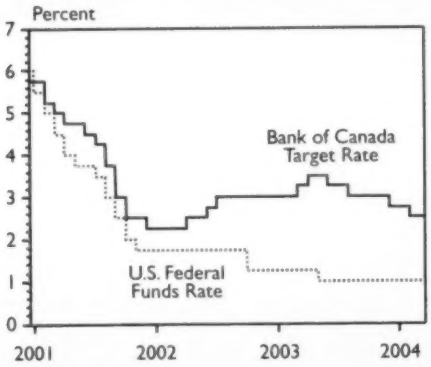
Sources: Statistics Canada and U.S. Department of Commerce

Chart 2

Canada and U.S. Exchange Rate, January 2000 to March 2004

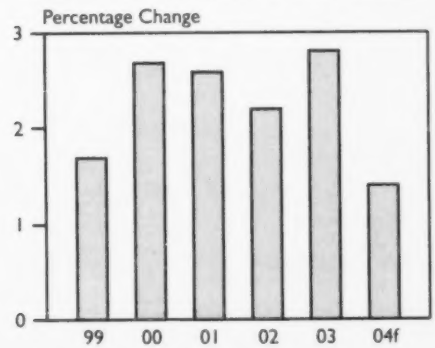
Source: Bank of Canada

Chart 3
Canada and U.S. Interest Rates



Source: Bank of Canada

Chart 4
Canada Consumer Price Index



f - Forecast

Sources: 1999-2003: Statistics Canada
2004: average of economic forecasters

Total labour income grew 3.4% in 2003, the smallest increase since 1996. Total personal disposable income grew 2.8%. While income growth was more modest last year, personal expenditures rose 5.1%, supported in part by continuing low interest rates.

Total employment grew 2.2%, the same increase as in 2002. With the labour force increasing 2.1%, the unemployment rate edged down only 0.1 percentage points to 7.6%. Both the participation rate and the employment rate climbed last year to all-time highs. Manitoba Finance's survey of economic forecasters indicates that Canada's employment is expected to grow by 1.7% in 2004. The unemployment rate is expected to remain relatively high at 7.4%.

Monetary policy changed course during 2003 as the Bank of Canada first increased, then cut, interest rates. The Bank raised rates by 50 basis points in the first half of 2003 in response to perceived inflationary pressures. As these apparent pressures dissipated, the Bank implemented four consecutive rate cuts starting in July, bringing the overnight target rate down 100 basis points to 2.25% in March 2004. These rate reductions helped narrow interest rate spreads with the United States which had grown substantially from early 2002. In the U.S., the Federal Reserve Board introduced one rate change in 2003 – a 25 basis point cut in the Fed Funds rate to 1.00% in June (see Chart 3).

Large increases in energy prices early in 2003, combined with escalating alcohol and tobacco prices, boosted growth in the overall Consumer Price Index (CPI) to 2.8% in 2003, up from 2.2% in 2002. CPI increases moderated through the year, however, with year-over-year inflation in the last quarter of 2003 averaging less than 2.0%. The declining cost of imported goods helped ease price pressures in Canada's economy last year. For example, import prices for machinery and equipment fell 15.2%,

while those for consumer goods declined 12.6%. The survey of economic forecasters shows that Canada's consumer price inflation is projected to average 1.4% in 2004 (see Chart 4). This remains well within the Bank of Canada's inflation control target range of 1% to 3%.

The consensus among economic forecasters is that Canada's real GDP growth will increase moderately in 2004, but remain well below potential. Strong growth in the U.S. economy and continued high prices for primary products are expected to contribute to a stronger Canadian economy in 2004. However, growth will be tempered by the continuing strength of the Canadian dollar relative to the U.S. Currently, Manitoba Finance's survey of economic forecasters shows that Canada's real GDP is projected to increase by 2.9% in 2004.

MANITOBA ECONOMY

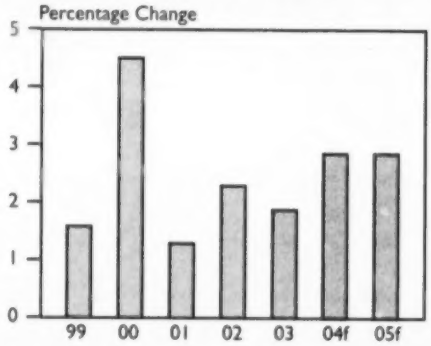
Manitoba's economy grew 1.9% in real terms in 2003, just ahead of Canada's increase of 1.7% and down slightly from the 2.3% increase posted in 2002 (see Chart 5). Nominal GDP in Manitoba grew 4.0% to $38.5 billion.

Real business investment rose 7.6% last year, led by an 8.1% increase in residential construction investment and an 8.9% increase in machinery and equipment purchases. Real personal expenditure increased 2.2%, while total (international plus interprovincial) exports slipped 1.3%.

Almost all industries posted real growth last year (see Chart 6). The few exceptions include mining, where a mine closure depressed production in 2003, and utilities, where low-water levels reduced hydro-electricity production. GDP in construction jumped 7.2% with strong growth in residential and non-residential construction. GDP in manufacturing, Manitoba's largest industry, increased 2.3%. The value of Manitoba's manufacturing shipments increased last year, while Canada's manufacturing shipments declined.

Chart 5

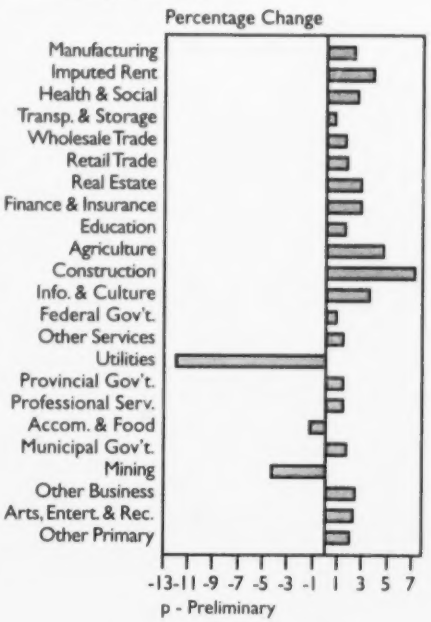
Manitoba Real Gross Domestic Product



f - Forecast

Sources: 1999-2003: Statistics Canada
2004-2005: average of economic forecasters

Product, at Basic Prices by Industry, 2003p



p - Preliminary

Source: Manitoba Bureau of Statistics

Manitoba Real Gross Domestic Product at Basic Prices by Industry, 2002 and 2003p

(Millions of Chained 1997 Dollars)

	2002	2003p	% Change
Goods	**8,449**	**8,564**	**1.4**
Agriculture	1,425	1,491	4.6
Mining	606	580	-4.3
Other Primary	102	104	2.0
Manufacturing	3,992	4,084	2.3
Construction	1,347	1,444	7.2
Utilities	977	861	-11.9
Services	**23,014**	**23,481**	**2.0**
Transportation & Storage	2,096	2,111	0.7
Information & Culture	1,088	1,122	3.5
Wholesale Trade	2,047	2,077	1.5
Retail Trade	1,945	1,979	1.7
Finance & Insurance	1,711	1,759	2.8
Real Estate	1,761	1,811	2.8
Imputed Rent	2,872	2,981	3.8
Professional Services	764	775	1.4
Other Business Services	509	521	2.4
Federal Government	986	995	0.9
Provincial Government	788	801	1.6
Municipal Government	576	586	1.7
Education	1,584	1,608	1.5
Health & Social Services	2,248	2,304	2.5
Arts, Entertainment & Recreational Services	360	368	2.2
Accommodation & Food	780	771	-1.2
Other Services	899	912	1.4
GDP at Basic Prices	**31,463**	**32,049**	**1.9**

p – Preliminary
Source: Manitoba Bureau of Statistics

For the fifth time in six years, Manitoba's unemployment rate was the lowest among provinces last year. The rate declined to 5.0% from 5.2% in 2002, and remained well below the national rate of 7.6%. Manitoba's youth unemployment rate declined by 0.4 percentage points to 9.8%, the second-lowest rate among the provinces and well below the national rate of 13.8%. Total employment increased 0.3%, with a 0.7% increase in full-time

employment partly offset by a 1.1% reduction in part-time jobs. Manitoba's employment rate – the ratio of employed to the total of the working-age population – slipped from its record-high 2002 level, but remained second-highest among provinces.

Manitoba's official July 1 estimate of population was 1,162,800 in 2003, up 0.63% from 2002. This was the fourth-best growth among the provinces and Manitoba's largest population increase since 1986. Manitoba benefited from strong net immigration in 2003. The net inflow of people to Manitoba reached 3,873, the most significant gain since 1983.

Manitoba benefited from strong net immigration in 2003. The net inflow of people to Manitoba reached 3,873, the most significant gain since 1983.

Housing starts increased 16.3% in 2003, more than double the national increase. Starts of single-family dwellings rose 4.9%, while multiple housing starts rose 73.2% to their highest level since 1989. The value of building permits issued last year rose 19.8% as residential building permits increased 19.2%, and non-residential permits rose 20.4%.

Housing starts increased 16.3% in 2003, more than double the national increase.

Manitoba retail sales increased 2.3% in 2003, down from the 7.2% growth of 2002. All retail categories posted increases last year except motor vehicles, which was down 1.4% following a cumulative 22% increase in the preceding two years.

Manitoba consumer price inflation in 2003 was 1.8%, up slightly from 1.6% in 2002. It was the lowest inflation among provinces. One of the principal reasons for the low inflation was the modest 0.3% increase in automobile insurance premiums, the lowest increase in Canada and well below the national increase of 23.6%. According to Manitoba Finance's survey of economic forecasters, Manitoba's CPI inflation is expected to remain moderate with an increase of 1.1% in 2004, slightly lower than the national average increase.

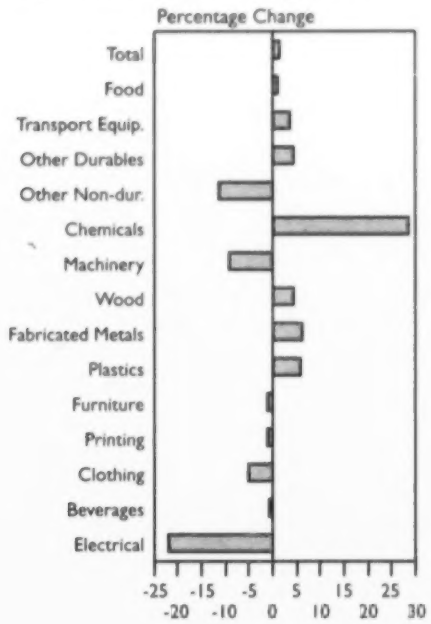
Based on Manitoba Finance's survey of economic forecasters, Manitoba's rate of real economic growth is projected to rise to 2.9% for both 2004 and 2005.

■ Manufacturing

Shipments from Manitoba's manufacturing sector rose 1.3% last year. This compares favourably with a national decline of 0.8%. Seven of Manitoba's fourteen manufacturing sectors posted higher shipments in 2003.

The value of shipments from Manitoba's two largest manufacturing industries, processed foods and transportation equipment, both increased. Shipments from Manitoba's chemicals sector – which includes pharmaceuticals, industrial chemicals and fertilizers – rose 28.5%, the most significant increase among Manitoba's manufacturing industries. Among the declines, the largest reductions occurred in electrical equipment (-22.0%) and other non-durable goods (-11.4%) (see Chart 7).

Chart 7
Manitoba Manufacturing Shipments by Industry, 2003



Note: Ranked by size in descending order.

Source: Statistics Canada

Shipments from Manitoba's food processing industry increased by 1.0% last year. Food processing is Manitoba's largest manufacturing industry, and shipments have increased 15% since 1998. Processed food products are an important export category, accounting for 11.9% of Manitoba's total foreign merchandise exports. Linked to Manitoba's large and diversified agriculture sector, principal processed food products include processed meats, dairy products, potato products and other prepared vegetables.

Manitoba's second-largest manufacturing sector is transportation equipment. It accounts for 14.9% of total manufacturing shipments. This sector is divided into two industry categories: aerospace manufacturing, which includes production by four large firms (Air Canada Technical Services, Bristol Aerospace Inc., Boeing Canada Technology and Standard Aero Limited) and motor vehicle manufacturing, which is dominated by North America's largest transit and intercity bus producers, New Flyer Industries and Motor Coach Industries. Despite challenging market conditions,

transportation equipment shipments posted a 3.6% increase in 2003.

Manufacturing is Manitoba's largest industry, accounting for approximately 13% of Manitoba's GDP. The majority of Manitoba's manufactured goods are exported. These exports include a diverse mix of industrial and consumer goods, including buses, furniture, food products, newsprint, aerospace equipment, printing and publishing, agricultural machinery, and chemicals. Manufactured goods account for 68% of total foreign merchandise exports.

Weak demand conditions in the U.S. through early 2003, and the sharp increase in the value of the Canadian dollar, depressed manufacturing exports by 1.4% last year. Manufactured exports to the U.S., which accounts for 86% of Manitoba's foreign market for manufactured goods, fell 1.7%, while exports to non-U.S. markets increased 0.3%.

Manitoba's manufacturing employment rose 0.6% last year. Nationally, manufacturing employment slipped by 1.4%. Manufacturing accounts for 12.2% of total employment in Manitoba.

■ Agriculture

Like the provincial economy overall, Manitoba's agriculture sector is highly diversified. In 2003, crops accounted for 52% of total market receipts in agriculture, while livestock accounted for 48%. Within these broad categories of production, Manitoba producers market a wide range of livestock and crop commodities.

Agriculture accounts for about one-fifth of Manitoba's foreign commodity exports, and 4.7% of Manitoba GDP. In 2003, the agriculture sector directly employed 31,400 persons, or 5.5% of the total employed labour force.

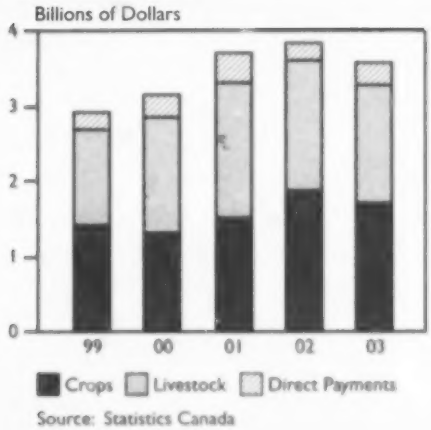
Manitoba's agriculture producers saw weaker results in 2003. Total farm cash receipts declined 6.4%.

"Manitoba retains its status as one of the better performing provincial economies."

RBC Financial
March 2004

Chart 8

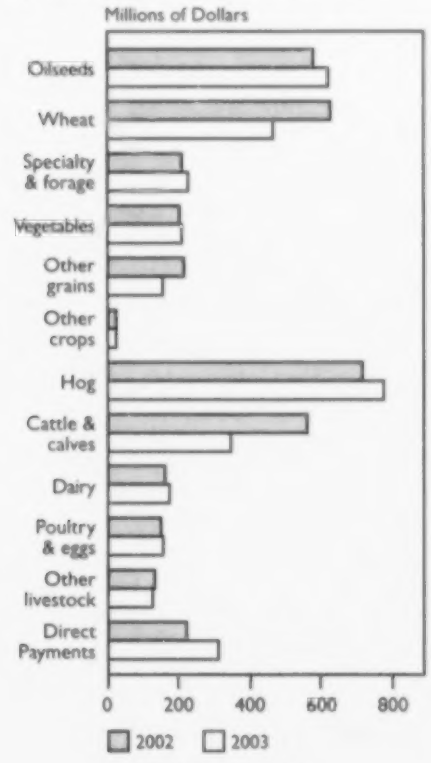
Manitoba Farm Cash Receipts



Source: Statistics Canada

Chart 9

Manitoba Farm Cash Receipts by Product, 2002 and 2003



Source: Statistics Canada

Receipts from crops were down 10% due to a 25.5% decline in wheat receipts. Livestock receipts shrank by 8.4% as a large decline in cattle receipts offset gains in most other livestock categories. Overall market receipts declined by 9.3%, while direct payments (various types of insurance payments, income stabilization payments, etc.) rose 40.8% (see Chart 8).

The major development in the livestock industry was the imposition of a worldwide ban on the import of Canadian beef products following the discovery of Bovine Spongiform Encephalopathy (BSE) in a single cow in Alberta. Prior to the ban, Canada was the third-largest exporter of beef in the world, with about half of the cattle produced in Canada exported as live animals or as meat. About 90% of these exports went to the U.S. Manitoba accounted for 10.8% of Canadian cattle production in 2002.

In September 2003, the U.S., Mexico and several other countries opened their borders to imports of Canadian boneless beef from animals younger than 30 months of age under a permit process. The U.S. Department of Agriculture has requested public input regarding its proposal that the border be re-opened to Canadian cattle imports and certain cuts of beef, a process that could lead to the resumption of live cattle exports into the U.S. in 2004. The Province has adopted a number of measures to assist Manitoba cattle producers deal with the difficulties caused by the U.S. cattle ban.

Farm cash receipts from cattle and calves declined by $215 million, or 38.4%, in 2003. Foreign exports of live bovine animals – principally cattle – fell by $116 million. At the same time, the export market collapse sharply increased the inventory of cattle on Manitoba farms.

In contrast, Manitoba hog producers saw cash receipts climb by 7.9% to $777 million in 2003. While Canadian hog producers were adversely affected by the stronger Canadian dollar, the

total value of Manitoba hogs sold abroad jumped by 12.4%. Manitoba currently accounts for approximately one-quarter of Canada's hog production. Hogs accounted for about half of Manitoba's total livestock receipts last year.

Most other livestock categories, which together account for 29% of Manitoba's livestock receipts, posted gains last year, with good results for dairy, poultry and egg producers.

Manitoba producers enjoyed excellent yields for wheat and canola in 2003. The total volume of production for all wheat varieties rose 24%, while canola production rose 21% to the highest level in five years. Nevertheless, overall crop receipts declined as higher deliveries were offset by lower prices for most major grains and oilseeds.

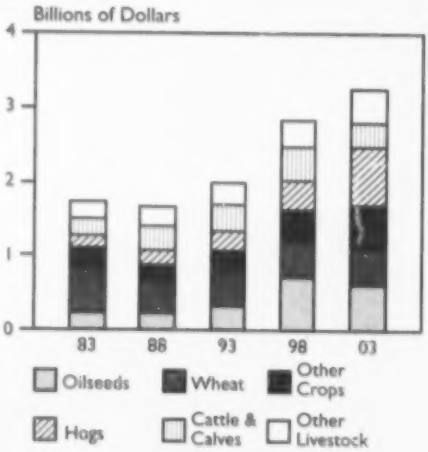
Wheat receipts declined sharply in 2003. Stronger supply conditions overtook the market as Canada, the U.S. and Argentina increased production. Sharply higher ocean freight rate costs and the significantly higher Canadian-U.S. dollar exchange rate also undermined producer prices last year.

Receipts from oilseeds – principally canola – rose 6.6% to the second-highest level on record. The drop in wheat receipts allowed canola to move ahead as Manitoba's principal crop by value last year.

Manitoba producers market a growing variety of other products, including barley, soybeans, sunflower, mustard seed, flax and vegetables. The growth of a number of non-traditional crop products underscores the continuing diversification of Manitoba's agricultural base (see Chart 10). For example, in the last decade, Manitoba's share of Canada's dry bean production has increased from just 6% in 1993 to 48% in 2003. Manitoba continues to be the country's largest producer of sunflower, with approximately 85% of Canada's total.

Potato production has increased from just $10 million in 1993 to $138 million last year. Manitoba has gone from being a minor producer

Chart 10
Manitoba Market Receipts by Type



Source: Statistics Canada

Manitoba's share of Canada's dry bean production has increased from just 6% in 1993 to 48% in 2003. Manitoba continues to be the country's largest producer of sunflower, with approximately 85% of Canada's total.

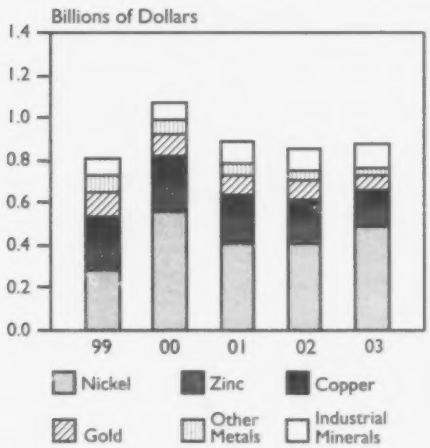
of potatoes to being the second-largest in Canada, behind Prince Edward Island, with 20% of Canada's total potato area. The growth of potato processing in the province, producing products like frozen potato chips for world markets, has not only boosted potato growing in the province, it has substantially increased the higher value-added food processing activity undertaken in Manitoba.

Total exports of potatoes and potato products reached $174 million in 2002 and are expected to climb further over the coming years. The completion of Simplot's new $130 million potato processing plant in Portage La Prairie in 2003 enhances Manitoba's position as a major international food processing centre, and will further diversify the agri-food sector.

The Manitoba Bureau of Statistics estimates that lower farm cash receipts for both livestock and crops in 2003 reduced net cash income (that is, farm income after operating expenses and direct payments) by 40.5% to $535 million. Realized net income (after deducting depreciation charges) declined by 74.9% to $127 million.

Chart 11

Manitoba Mineral Production



Source: Natural Resources Canada

Mining

The value of Manitoba's mineral production increased by 2.4% last year. Production of metals increased by 2.0%, while non-metallic mineral production rose by 6.2% (see Chart 11).

The value of nickel production increased by 22% in 2003 as a result of higher production volumes and a sharp 20.8% increase in average price. The strengthening of world nickel prices throughout 2003 and into early 2004 bodes well for this industry. At $493 million, nickel is Manitoba's most important mineral product, accounting for 57% of the total value of mineral production.

The closure of the Ruttan mine at Leaf Rapids in mid-2002 continued to reduce annual production volumes of both copper and zinc in 2003. The

value of copper produced in Manitoba declined by 27% to $70.3 million due to lower production volumes. Similarly, the value of zinc produced in Manitoba fell by 18% to $96.7 million. Copper and zinc accounted for 8% and 11% of Manitoba mineral production, respectively.

Lower volumes of gold production more than offset a 5% increase in average price, pushing the value of gold produced in Manitoba down by 25% to $64.5 million.

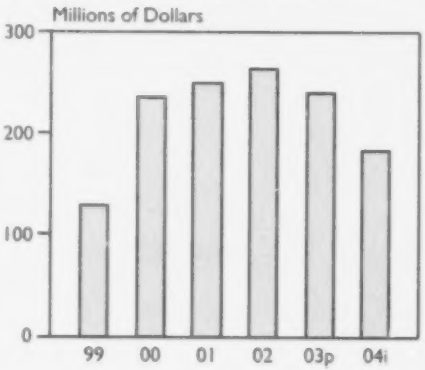
Weak international prices for several metals has resulted in two Manitoba mine closures over the past few years. In June 2002, Hudson Bay Mining and Smelting closed the Ruttan mine in Leaf Rapids. The mine had produced copper and zinc. In 2001, the Harmony Gold Mining Company operation ceased production. The gold mine, located near Bissett, was placed in "care and maintenance" mode. In March 2004, the mine was purchased by a joint venture of San Gold Resources and Gold Cities Industries. The new owners plan to renew production at the mine.

Manitoba has several non-metal mining operations producing limestone, sand and gravel, marble, peat and other minerals. The total value of non-metallic minerals produced last year increased by 6.2% to $102.5 million.

Mining investment in Manitoba declined by 8.9% last year to $241 million (see Chart 12). Mining investment is expected to slip further in 2004, with Statistics Canada's Survey of Private and Public Investment estimating a 23.8% reduction in investment spending. Several major investment projects have been undertaken over the past several years, with corresponding large increases in mining investment. Most recently, the Hudson Bay Mining and Smelting "777 project" in Flin Flon is expected to reach full production in August 2004. Inco's Birchtree project, which involved mine shaft deepening to extend the mine life by 15 years, was completed in 2003 and has significantly boosted ore production at the facility.

Chart 12

Manitoba Mining Investment



p - Preliminary i - Intentions

Source: Statistics Canada

"Broad-based strength... will be reflected in service-sector performance over the medium term, with the wholesale and retail trade, community, business, and personal service industries expected to perform quite strongly."

Conference Board of Canada
February 2004

Sustaining the level of mineral production requires new exploration to secure reserves. In Manitoba, 2002 exploration and deposit appraisal expenditures were estimated at $29.8 million, 4% above the 2001 level. Exploration expenditures in 2003 are estimated at $30 million, up slightly from 2002. Exploration is currently under way in several regions of Manitoba, focussing on several minerals including gold, platinum, nickel, copper, rare earth metals and tantalum.

Overall, mining accounted for 1.8% of Manitoba's GDP in 2003. Nickel, copper and other metals represent over 8% of the province's total foreign merchandise exports. Mining employs approximately 3,700 persons in Manitoba, with several thousand more employed in related services, such as transportation and business services.

■ Hydro-Electricity

Manitoba Hydro is Manitoba's largest utility and accounts for virtually all electricity generation, transmission and distribution in the province. Almost all of Manitoba Hydro's electricity is produced by water, a renewable source of energy. Currently, Manitoba Hydro has a generating capability of more than 5,000 MW, with the potential for further economical hydro-generating capacity in excess of 5,000 MW.

The value of hydro-electricity sales in Manitoba declined 5.8% in calendar year 2003 to $1.28 billion (see Chart 13). This was the second annual decline in hydro energy sales and comes after more than a decade of annual sales increases. The decline was largely due to the reduced out-of-province electricity sales, reflecting the impact of reduced water flow for hydraulic generation last year.

The value of Manitoba sales, which accounted for 70% of the total, increased 1.4% in 2003. Total gross exports, which account for the remainder of sales, declined 19.4%. The value of export sales had

more than doubled between 1997 and 2001, driven by strong increases in exports to the United States and good water flows. Electricity exports to the U.S. account for about 83% of total out-of-province sales.

Manitoba Hydro is currently working closely with Northern Aboriginal communities in respect of potential new generating facilities. Two such facilities are under active consideration. The proposed Wuskwatim generating station would be built on the Burntwood River in Northern Manitoba and would generate 200 MW of power, with the earliest in-service date being 2010. The Gull (Keeyask) generating facility is another potential generating site. The Gull station would produce about 620 MW of power. Construction of the Gull facility would also require the construction of a transmission line to deliver power to Southern Manitoba. The combined cost of these two generating projects, as well as the required transmission facilities, is approximately $4 billion.

Another option under active consideration is the development of the Conawapa site. This 1,250 MW generating facility project would be similar in magnitude to Manitoba's Limestone facility, currently the largest generating station in the province. This project would assist in meeting the needs of out-of-province customers who would contract for the delivery of power from Manitoba Hydro.

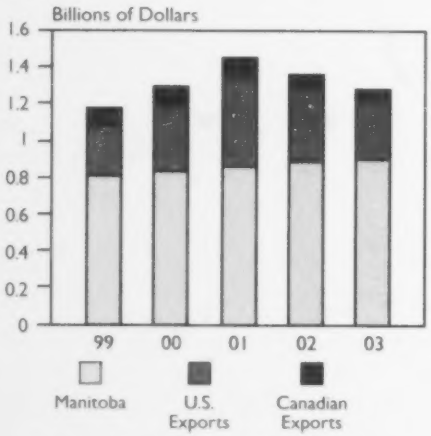
Manitoba Hydro continues to make significant investments in infrastructure to maintain the highest customer satisfaction by providing high system reliability along with the lowest rates in North America.

Manitoba Hydro is a founding member of the Chicago Climate Exchange, a voluntary private pilot program for trading Kyoto greenhouse gases throughout the U.S. Trading will enable Hydro to gain practical experience in emissions trading on an international scale.

Several companies are gauging the strength of Manitoba wind resources including Manitoba

Chart 13

Manitoba Hydro-Electricity Sales



Source: Manitoba Hydro-Electric Board

Manitoba Hydro is currently working closely with Northern Aboriginal communities in respect of potential new generating facilities.

"Low-cost hydroelectricity-based generating capacity accounts for approximately 95% of installed capacity and results in one of the lowest variable cost structures in Canada."

Dominion Bond Rating Service
September 2003

Hydro, which has installed seven wind-monitoring sites throughout the province. Manitoba offers both a strong wind resource and the capability to "firm" wind power through the electricity system. Manitoba Hydro is currently negotiating with an independent wind producer for the purchase of output of a 99 MW wind farm near St. Leon. These negotiations are expected to be completed in the near future.

In August 2002, Manitoba Hydro signed a 10-year agreement with Xcel Energy of Minnesota for the export of 500 MW of electricity from Manitoba to Minnesota, starting in 2005. The agreement builds on the long-standing arrangements with Xcel Energy and is expected to produce $1.7 billion in revenue over the life of the contract.

Manitoba Hydro continues to strengthen its position as a leader among Canadian utilities in voluntarily reducing greenhouse gas emissions. In the future, Manitoba Hydro is prepared to play an increasingly important role in meeting more of North America's electrical energy needs through environmentally desirable hydro-electric resources. In so doing, it will continue to reduce global greenhouse gas emissions.

Manitoba has been successful in employing demand-side management programs to meet energy needs. Since its inception in 1991, the Power Smart program has promoted a wide variety of energy efficient programs, products and services. In 2003, the program was providing annual energy savings equal to the energy output of the 77 MW Point Du Bois generating station.

■ Housing

Manitoba's housing sector posted another year of strong growth. Low interest rates and high consumer confidence levels helped push the number of housing starts in Manitoba up 16.3%, the third consecutive year of double-digit growth. This brings the increase over this period to 64%

(see Chart 14). Last year's growth was third-best among the provinces. Similarly, the total value of residential building permits issued last year was up 19.2% to $526 million.

The number of single family dwellings built last year increased by 4.9% to 3,165, the highest level since 1988. Just over half of these were in Winnipeg. The strongest increases were for homes in the $200,000 to $250,000 and the $250,000 plus categories. These categories accounted for approximately 40% of total new homes built in Winnipeg last year.

The number of multiple starts (apartments, row housing and duplexes) rose by 73.2% to 1,041 last year. This was the highest level of multiple starts since 1989 and almost double the average level of the past five years. The rental market vacancy rate rose slightly to 1.3%, and is expected to increase further to 1.5% in 2004. Canada Mortgage and Housing Corporation (CMHC) forecasts that 600 multiple-family housing starts will begin in Winnipeg in 2004.

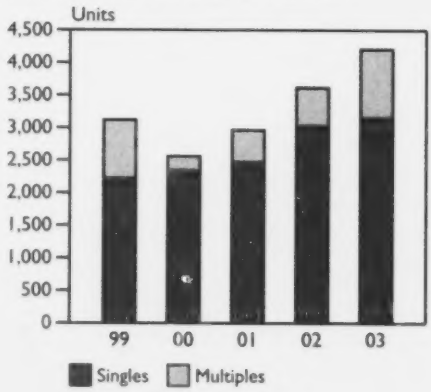
While new home construction posted another banner year, the Winnipeg Real Estate Board reported that Multiple Listings Service sales in 2003 totalled 10,770 units, the highest level since 1992. This was the Board's best year on record as dollar volume exceeded $1.1 billion, up 13% from 2002.

As in many cities in Canada, strong demand for housing resulted in higher housing prices over the past several years. Since 1999, the average Manitoba house price has increased 23.6%, while the average Winnipeg price has increased by 24.5%.

The CMHC projects that, as interest rates are expected to rise later in 2004, Manitoba's housing market will approach levels closer to historical norms. Single-family starts are expected to decline by 11.5% to 2,800, while multi-family starts will slip to 700, down by a third from the 2003 level. For the 2004 provincial resale market, CMHC forecasts virtually no change in the total number of sales.

Chart 14

Manitoba Housing Starts



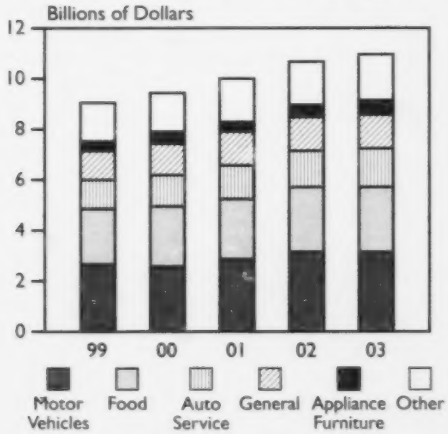
Source: Canada Mortgage and Housing Corporation

"Winnipeg's diversified local economy has recorded solid economic performances in the long term, with low unemployment rates and a robust residential construction sector."

Standard & Poor's
April 2004

Chart 15

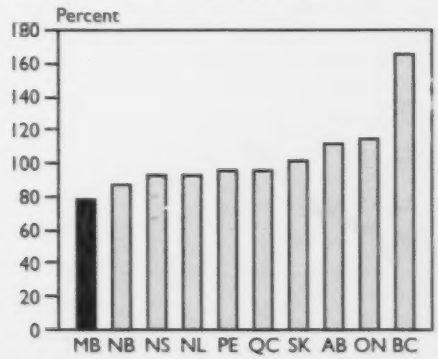
Manitoba Retail Trade by Type



Source: Statistics Canada

Chart 16

Household Debt as a Percentage of Personal Disposable Income, 2001



Source: TD Bank Financial Group

■ Retail Sales

Manitoba retail sales increased 2.3% last year, below the national increase of 3.0% and down from the 7.2% growth posted in 2002 (see Chart 15).

Manitoba's lower growth can largely be attributed to lower motor vehicle sales. The value of retail trade by motor vehicle establishments slipped 1.4% after significant increases of 8.5% and 12.1% in 2001 and 2002, respectively.

In the same vein, the number of new motor vehicles sold in Manitoba declined 6.6% in 2003. This follows a 13.9% increase in 2002, as Manitoba led the country in vehicle sales. The volume of motor vehicle sales in 2002 was at its highest level since 1987.

While motor vehicle sales declined in 2003, retail trade in other categories increased by 3.8%. Strong housing market activity helped boost sales of furniture and appliances by 3.4%, bringing the gains over the past three years to 21%. Food store sales rose 3.0%, while auto service sales jumped 4.2%.

Most economic forecasters project that interest rates in Canada will increase later in 2004 and in 2005. In an environment of rising interest rates, Manitoba's lower debt levels will help support personal expenditure growth relative to higher-debt regions. Among provinces, Manitobans have the lowest debt-to-income levels in Canada. In 2001, the ratio of household debt to personal disposable income was 78%, well below the national average of 113% (see Chart 16).

■ Tourism

Tourism receipts in Manitoba rose to approximately $1.4 billion in 2002, an increase of 11.1%. About 60% of tourism expenditures were made by Manitobans in their own province, while 17% were made by Canadians from other provinces, and 17% by visitors from the U.S.

A number of factors adversely affected the tourism sector in 2003. Global markets were sensitive to issues related to infectious disease that marred tourism across Canada: SARS, West Nile and BSE. Similarly, the threats of global instability proved significant in deterring international travel.

These factors, combined with the rapid and significant appreciation of the Canadian dollar relative to the U.S. currency, contributed to the 4.6% reduction in overnight direct entries from the U.S. into Manitoba last year. Same-day entries declined 8.1%. In both categories, Manitoba fared somewhat better than Canada overall, which recorded declines of 12.4% and 13.6%, respectively.

Weaker tourism expenditure contributed to a decline in Manitoba's accommodation and food services industries. Real GDP in this sector declined 1.1% in Manitoba, compared to a 2.4% decline for Canada.

Manitoba will host a number of major conventions and meetings in 2004. These include 6,500 delegates to the Canadian Federation for the Humanities and Social Sciences in late May and June; 1,200 visitors to the Canadian Bar Association's Canadian Legal Conference and Expo 2004; 1,000 delegates for the Disabled Peoples' International World Summit 2004; and over 2,000 visitors for the National Aboriginal Health Organization's National Conference.

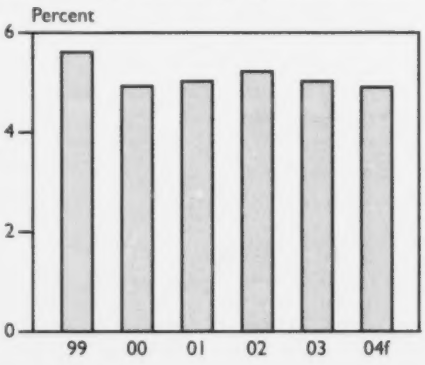
■ Labour Market

Manitoba's unemployment rate last year declined to 5.0% from 5.2% in 2002 (see Chart 17). This rate was the lowest in Canada, and remained well below the national rate of 7.6%. Total unemployment in the province fell to 29,900, a decline of 1,100, or 3.5%.

Manitoba's youth unemployment rate declined by 0.4 percentage points to 9.8%, the second-lowest rate among provinces and well below the national rate of 13.8%.

Chart 17

Manitoba Unemployment Rate

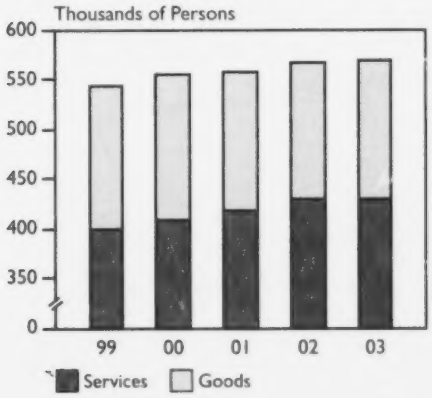


f - Forecast

Sources: 1999-2003: Statistics Canada
2004: average of economic forecasts

Chart 18

Manitoba Employment



Source: Statistics Canada

Total employment increased 0.3%, with a 0.7% increase in full-time employment partly offset by a 1.1% reduction in part-time jobs. Total employment reached an all-time high of 568,700. Manitoba's goods-producing industries led employment growth, with solid gains in construction, utilities and manufacturing. Overall, goods-producing industries posted a 1.2% gain in employment while service sector employment increased only marginally (see Chart 18).

Manitoba's labour force grew only 0.1% last year. This comes on the heels of exceptional labour force growth in 2002, when it increased 1.9%, the strongest increase since 1986. Overall, tight labour market conditions persisted through the year.

The labour force participation rate edged down in 2003 by 0.2 percentage points to 69.0%. Manitoba continued to have the second-highest participation rate in Canada. Canada's labour force participation rate in 2003 was 67.5%.

Manitoba's employment rate – the ratio of employed to the total of the working-age population 15 and over – also slipped from its record-high 2002 level by 0.1 percentage points to 65.5% (see Chart 19). Like the participation rate, Manitoba's employment rate is the second-highest among provinces, and significantly above both Canada and the U.S.

Labour Market Definitions

Employment: Non-institutionalized, civilian working-age adults (15 years of age and older) that work at paid jobs plus those who are self-employed, including unpaid workers who contribute to the family's farm or other business.

Unemployment: People without work who are available for work and are actively looking for jobs, or have looked for work in the previous four weeks.

Labour Force: The sum of employment and unemployment. Excludes those who are not employed and who are not looking for work.

Participation Rate: Labour Force as a percentage of working-age adults.

Employment Rate: Employment as a percentage of working-age adults.

Manitoba Finance's survey of economic forecasters shows that Manitoba's annual employment growth rate is projected to rebound to 1.2% in 2004 and 1.1% in 2005. Manitoba's unemployment rate is forecast to stay at 4.9% in 2004, and drop to 4.7% in 2005.

■ Investment

Total new capital investment in Manitoba is estimated to have increased by 0.7% in 2003, according to the Statistics Canada Survey of Private and Public Investment. Total investment is forecast to rise further to a record-high level of $6.3 billion in 2004, an increase of $323 million, or 5.4%. Growth is projected to be third-best among provinces and somewhat stronger than the projected national average gain of 3.1% (see Chart 20).

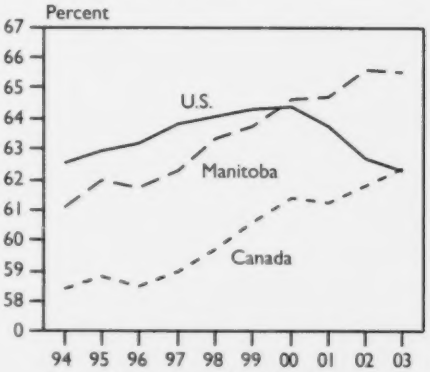
After three years of solid growth, private capital investment declined 3.3% in 2003. Over the 1999–2002 period, the level of private investment in Manitoba climbed 16.7%. Statistics Canada estimates that private investment will increase by 2.2% in 2004, slightly above the projected growth for Canada of 2.0%. Private investment accounts for approximately 72% of capital investment in Manitoba.

Public capital investment in Manitoba by the federal, provincial and local governments rose by 14.1% last year, almost double the national increase and second-strongest in Canada. For 2004, public investment is projected to increase 14.4%, double the national rate of public investment growth.

According to the Manitoba Bureau of Statistics, real (inflation-adjusted) business investment in Manitoba climbed 7.6% in 2003 with a 4.5% increase in non-residential structures and an 8.9% increase in real machinery and equipment spending (see Chart 21).

Chart 19

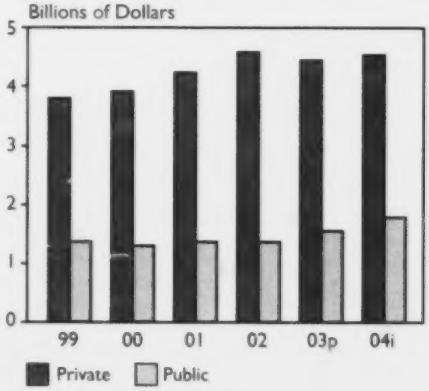
Manitoba, Canada and U.S. Employment Rate



Sources: Statistics Canada and U.S. Department of Commerce

Chart 20

Manitoba Capital Investment

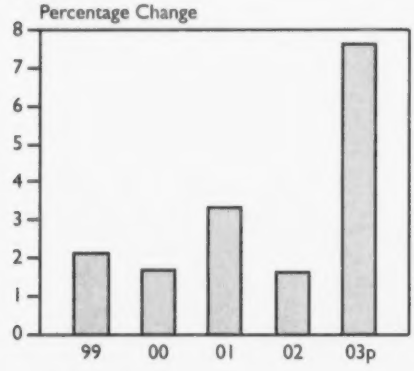


p - Preliminary i - Intentions

Source: Statistics Canada

Chart 21

Manitoba Real Business Investment



p - Preliminary

Source: Statistics Canada

Several major capital projects are under way or being planned. Examples include the following projects.

- Construction continues on the 15,000-seat **MTS Centre**, a $135 million arena and entertainment centre in downtown Winnipeg. The centre is scheduled to open in November 2004.
- $3 million in improvements to **Kildonan Place Mall** now under way will boost total investment in the facility to $5.5 million. The multi-phase project will be completed in July.
- A new $15 million office complex in downtown Winnipeg will begin this spring. With completion late in 2005, the 90,000 square foot building will be home to the **Credit Union Central of Manitoba** as well as other tenants.
- **Manitoba Hydro** will be constructing a new 400,000 square foot head office in downtown Winnipeg starting later in 2004. Approximately 1,800 Manitoba Hydro staff will be located at the new headquarters. Completion of the project is expected in 2006.
- An agreement is in place for the construction of a $20 million, 11-storey **office and luxury rental tower**. Construction is expected to start early in 2005 with completion in 2006.
- The $17 million **Millennium Library** project in downtown Winnipeg will increase access to technology, boost collections, enhance services and expand facilities at Winnipeg's largest library.
- The **Health Sciences Centre** redevelopment is under way, providing $100 million in capital investment as part of Manitoba's largest-ever health-related capital project.
- Plans are under way for the **Red River Floodway Expansion**, with construction to begin in 2005 and completion expected in 2009. This $660 million project will increase flood protection and create thousands of local jobs.
- Construction of the **Richardson Centre for Functional Foods and Nutraceuticals** will begin

at the University of Manitoba's SMARTpark in the summer of 2004, with completion expected by the summer of 2005. This $25 million facility will bring together researchers from the agriculture, foods sciences, human nutrition, medicine, and pharmacology disciplines, along with their industry partners, to study and develop functional foods and nutraceuticals.

- The new $14 million, 55,000 square foot **Centre for Commercialization of Biomedical Technology** will be built adjacent to the National Research Centre's **Institute for Biodiagnostics**. The new facility will incubate start-up companies from the high tech medical technology sector and spinoffs from the NRC, assisting them to become self-sustaining.
- An environmental licence has been granted to **Bison Wind** to erect a 99 MW wind farm at St. Leon. This project, about a $190 million investment, would be the largest single wind farm in Canada.
- In February, the federal government announced that **Husky Energy** was a successful applicant for $6.4 million in financial support for an 80 million litre/yr ethanol production facility expansion in Manitoba. Manitoba passed *The Biofuels Act* in December 2003 that establishes a mandate requiring eventually all of the gasoline sold in Manitoba contain 10 percent ethanol.
- A $52 million state-of-the-art **engineering and information technology complex** is under construction at the **University of Manitoba**, with completion slated for 2005.

Manitoba is home to two Labour Sponsored Investment Funds – professionally managed private equity funds that raise capital on a retail basis from individual Manitobans, with the assistance of federal and Provincial Government tax credits. The Province has also directly assisted the development of five venture capital corporations, which raise capital without the assistance of government tax credits. These Funds are generally structured as limited

Manitoba Venture Capital Corporations*

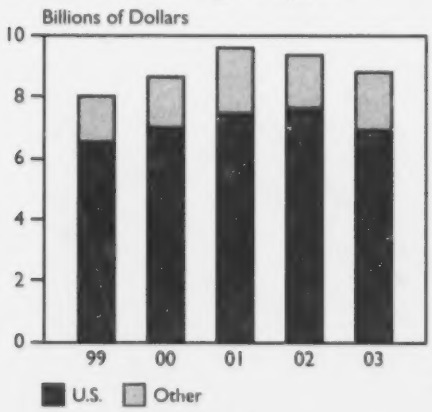
Manitoba Science & Technology Fund
Western Life Sciences Venture Fund
Renaissance Capital Manitoba Ventures Fund
Vision Capital Fund
Manitoba Capital Fund

* Funds with Province as a partner

Manitoba has a lower relative dependence on the U.S. market than Canada as a whole. Higher diversification in export markets tends to make overall export performance more stable.

Chart 22

Manitoba Foreign Exports



Source: Statistics Canada

partnerships, with the Province typically being one of the minority limited partners. To date, the Province's participation in these Funds has assisted in levering a total investment pool of approximately $135 million, which was subsequently invested into a wide variety of earlier-stage high-growth Manitoba companies. In 2003, the Premier's Economic Advisory Council created the Local Investment Council. The Council is comprised of community leaders and is mandated to explore the benefits and risks of Manitoba pension and insurance funds investing locally. The Council has been considering the issue and is developing options.

■ Foreign Markets

Manitoba's foreign merchandise exports declined 6.4% last year, the second consecutive annual decrease. A stronger Canadian dollar versus the U.S. currency, lower hydro exports and sharply lower cattle exports due to the U.S. ban on live cattle imports, all contributed to lower exports last year (see Chart 22).

Merchandise exports to the U.S. declined 8.8% last year. This was the first decline in merchandise exports to the U.S. since 1990. By industry, major reductions in U.S. exports were posted in agriculture industries (-20.9%) and electrical energy (-33.3%). Reduced exports of electricity, live bovine animals (mostly cattle) and crude petroleum (which passes through Manitoba to the U.S. and is recorded as an import to, and an export from, the province) accounted for 84% of the decline in exports to the U.S. in 2003.

Exports to non-U.S. markets increased by 3.6% last year. Merchandise exports to Japan (Manitoba's second-most important foreign market) declined by 17.3%. However, this decline was more than offset by increased exports to Manitoba's other major markets: Mexico, Hong Kong and the People's Republic of China.

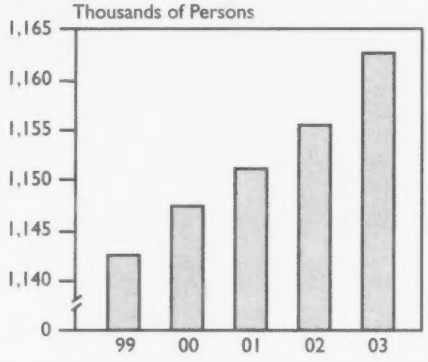
Manitoba Foreign Exports

BY INDUSTRY	1999	2000	2001	2002	2003(p)	2003(p) Share
			(Millions of Dollars)			(%)
Manufacturing						
Food	834.2	830.1	996.0	1,058.6	1,051.3	11.9
Transportation Equip.	1,229.6	1,053.0	1,139.7	944.9	878.0	10.0
Primary Metals	608.1	745.8	803.5	847.1	870.0	9.9
Machinery	503.9	584.8	535.9	679.8	618.4	7.0
Wood	505.6	540.6	531.4	573.3	552.8	6.3
Chemicals & Chem. Prod.	333.6	359.2	418.1	398.1	459.6	5.2
Paper and Allied	240.9	268.6	254.9	267.1	298.0	3.4
Plastic Products	170.0	178.5	210.5	221.4	229.1	2.6
Electrical & Electronic Prod.	235.7	274.7	273.8	188.2	187.3	2.1
Refined Petroleum and Coal Products	88.5	205.8	118.7	135.4	186.1	2.1
Printing, Publishing & Allied	101.4	124.8	165.6	195.2	182.3	2.1
Furniture and Fixtures	128.0	158.2	171.5	166.8	125.1	1.4
Clothing and Textiles	157.7	194.4	155.5	144.6	117.7	1.3
Fabricated Metal	72.0	95.1	126.1	119.2	116.1	1.3
Other Manufacturing	138.4	134.4	127.1	164.5	142.2	1.6
Total Manufacturing	**5,347.6**	**5,746.8**	**6,029.3**	**6,104.8**	**6,018.8**	**68.4**
Agriculture	1,575.0	1,594.1	2,030.0	1,839.0	1,724.5	19.6
Electricity	343.0	442.7	534.7	390.5	260.6	3.0
Other Primary	550.5	639.8	714.5	792.3	518.1	5.9
Other Exports	222.9	255.4	267.8	279.5	278.2	3.2
Total Exports	**8,039.1**	**8,678.8**	**9,576.2**	**9,406.2**	**8,800.1**	**100.0**
BY DESTINATION						
United States	6,495.3	6,973.5	7,517.8	7,604.7	6,933.0	78.8
Japan	378.3	370.3	454.7	475.0	393.0	4.5
Mexico	105.5	124.8	177.3	148.1	159.7	1.8
Hong Kong	57.1	128.6	140.2	112.1	128.8	1.5
China, P. Rep.	161.0	108.5	167.9	79.5	123.2	1.4
Belgium	88.2	127.5	147.5	117.9	103.4	1.2
United Kingdom	68.3	61.3	56.1	72.7	63.7	0.7
Taiwan	33.8	55.2	52.1	57.6	53.8	0.6
Australia	18.8	27.4	39.5	47.8	51.5	0.6
Korea, South	29.8	24.9	34.3	8.4	48.8	0.6
Other Countries	603.0	676.9	788.8	682.3	741.2	8.4
Total Exports	**8,039.1**	**8,678.8**	**9,576.2**	**9,406.2**	**8,800.1**	**100.0**

Note: Adjustments to coin exports to the United States of $989 million in 2000.
Totals may not add due to rounding.
Source: Manitoba Bureau of Statistics

Chart 23

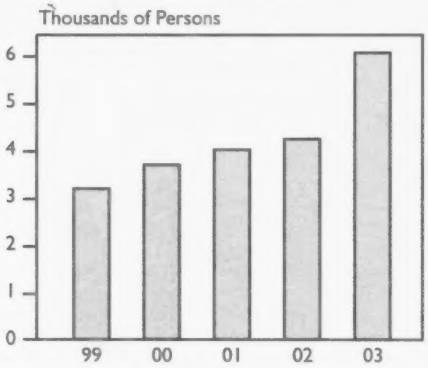
Manitoba Population



Source: Statistics Canada

Chart 24

Manitoba Net International Migration



Source: Statistics Canada

Manitoba has a lower relative dependence on the U.S. market than Canada as a whole. Higher diversification in export markets tends to make overall export performance more stable. 79% of Manitoba's foreign commodity exports are destined for the U.S. compared to 86% for Canada. About 68% of Manitoba's total foreign merchandise exports are manufactured goods, while 20% are agriculture products.

Manitoba is the only province in Canada where exports of goods and services to other provinces are consistently higher than foreign exports. This has a further stabilizing influence on the Manitoba economy. According to the Manitoba Bureau of Statistics, total exports of goods and services to other Canadian provinces in 2003 was $12.1 billion, higher than the foreign export total of $10.6 billion.

■ Population

Manitoba's total population was estimated at 1,162,800 as of July 1, 2003. This is Manitoba's "official" population for the year. The population growth from 2002 was 7,300 persons, or 0.63% (see Chart 23). This was the province's largest annual growth since 1986.

On a calendar year basis, Manitoba's total population grew by 7,584 in 2003, with total net immigration of 3,873 combined with natural population growth (births minus deaths) of 3,711. This was the best calendar year increase since 1986 (see Chart 24).

Total net migration last year increased to 3,873, the second consecutive year of net population growth through migration. This was the first back-to-back population increase through migration since 1984-1985. Total international net migration was 6,126, up 43% from 2002 largely because of a sharp increase in international immigration.

In large part, the increase in international migration reflected the success of the Manitoba

Provincial Nominee Program, a Program that targets immigration of skilled workers and business persons to Manitoba. Nominees accounted for 83% of the increase in international immigrants in 2003, and accounted for about half of all international immigrants to Manitoba last year.

Total net interprovincial out-migration was -2,253 in 2003. This is the second-best year performance for Manitoba interprovincial migration since 1985. Interprovincial net out-migration over the past two years has been considerably better than the average out-migration through the 1990s of -5,111 annually.

MANITOBA ECONOMIC OUTLOOK

Overall, Manitoba's economy is expected to grow at rates near the national average in 2004 and 2005. Most forecasters anticipate that the U.S. economy will continue to strengthen, supporting demand for Canadian exports, although the continuing high Canadian dollar exchange rate will mute growth somewhat next year.

Manitoba Finance's survey of economic forecasters shows that real GDP in Manitoba is projected to increase by 2.9% in both 2004 and 2005. This is in line with the survey's projected national increases of 2.9% in 2004 and 3.4% in 2005.

Manitoba's nominal GDP is projected to increase by 4.5% in 2004 and by 4.6% in 2005. This compares with projected national growth of 5.0% in 2004 and 5.4% in 2005.

Manitoba's employment is expected to grow by 1.2% in 2004 and 1.1% in 2005. Manitoba's unemployment rate is projected to decline to 4.9% in 2004, declining further to 4.7% in 2005.

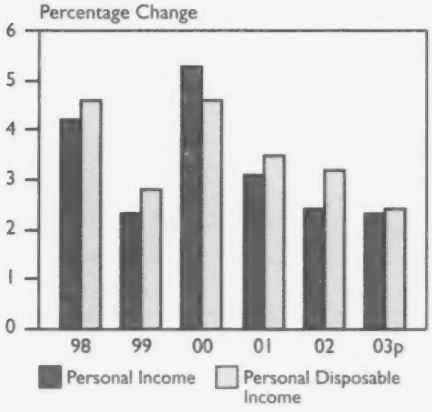
Manitoba Outlook at a Glance

	2002	2003	2004	2005
	(Percentage Change Except as Noted)			
Gross Domestic Product				
Real	2.3	1.9	2.9	2.9
Nominal	5.0	4.0	4.5	4.6
Employment	1.6	0.3	1.2	1.1
Unemployment Rate (%)	5.2	5.0	4.9	4.7
CPI	1.6	1.8	1.1	1.3

Sources: 2002 and 2003 are from Statistics Canada and Manitoba Bureau of Statistics; 2004 and 2005 are average of economic forecasters based on Manitoba Finance survey

Chart 25

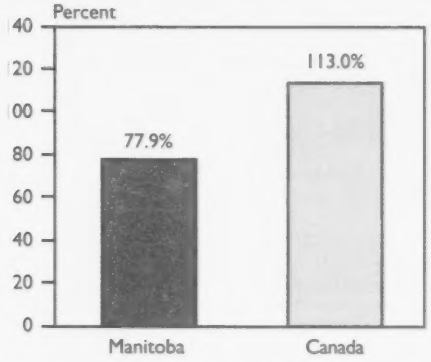
Manitoba's Personal Income Per Capita and Personal Disposable Income Per Capita, 1998 to 2003



p - Preliminary
Sources: Statistics Canada and
Manitoba Bureau of Statistics

Chart 26

Household Debt as a Percentage of Personal Disposable Income, 2001



Source: TD Bank Financial Group

HIGHER INCOMES

One of the principal benefits of a growing economy is growing incomes. Higher incomes promote savings and investment, along with personal consumption and increased living standards.

Personal income and personal disposable income are two principal measures of overall economic well-being. Personal income includes wages and salaries, investment income and transfers from government (for example, employment insurance benefits and CPP income). Personal disposable income is personal income less personal income taxes and social security program contributions. Broadly, personal disposable income is the income left to individuals after their personal taxes have been paid.

Manitoba has posted a strong record of per capita income growth in recent years. In each year from 1998 through 2002, Manitoba's per capita personal disposable income level ranked fourth-highest among the provinces, behind Alberta, Ontario and British Columbia.

In 2003, Manitoba's per capita personal disposable income grew by 2.4%, ahead of the national average increase of 1.9%, and above the inflation rate of 1.8% (see Chart 25). Similarly, in per capita terms, Manitoba's personal income grew by 2.3% in 2003, higher than the national average growth of 1.9%. Manitoba's per capita personal income grew by 16.3% from 1998 through 2003, close to the national average increase of 18.2%.

THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY

Manitoba's economy continues to be recognized as one of the most diversified in Canada. Reports by Moody's Investors Service, Standard & Poor's, Dominion Bond Rating Service and CIBC all cite economic diversity as one of the province's major economic strengths.

Diversity provides long-term stability, as periodic weaknesses in some industries are balanced by strengths in others. No one industry dominates the province's economy. In fact, Statistics Canada data shows that Manitoba's economy posted the most stable growth performance among provinces over the past five years.

Even within the current industrial structure there is growing diversity, providing Manitoba businesses and workers with a more stable environment to grow and work. New developments in traditional industries have provided opportunities for Manitoba businesses to diversify into new markets, and bring new products to existing markets. This continual broadening and renewal of Manitoba's economic base offers the prospect of even greater stability and certainty for Manitobans in the future.

Manitoba is one of Canada's most export-oriented provinces. As Chart 27 indicates, total exports as a percentage of GDP were 62.5% in 2002, slightly ahead of the 61.2% national average. Manitoba's exports are split almost equally between interprovincial and international exports.

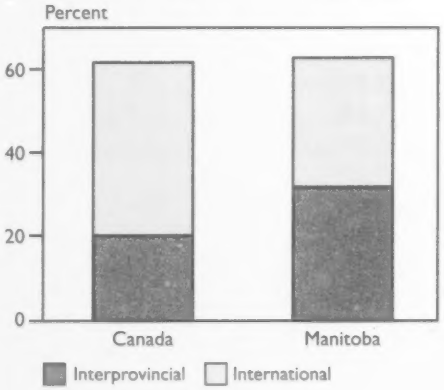
Manitoba companies have worked to take advantage of the province's central geographic location to maximize opportunities for trade with other provinces. The high volume of interprovincial trade has been recognized as an important contributing factor in maintaining stable economic growth. Being significantly less dependent on foreign trade has helped Manitoba's

"Strong fundamentals support the stability of Manitoba's economy, including one of Canada's most diversified business mixes, reduced dependence on primary sectors, below average dependence on foreign markets and one of the lowest provincial unemployment rates."

Dominion Bond Rating Service
Credit Rating Report
Province of Manitoba
September 30, 2003

Chart 27

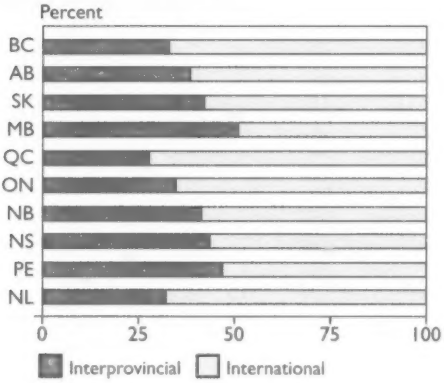
Ratio of Exports to Gross Domestic Product, Canada and Manitoba, 2002



Source: Statistics Canada

Chart 28

Ratio of Interprovincial to International Exports, By Province, 2002



Source: Statistics Canada

Composition of Manitoba Foreign Commodity Exports, 1996 & 2003

	1996	2003
	(Percent of Total)	
Manufacturing	57	68
Agriculture	28	20
Other Primary	9	6
Electricity	5	3
All Other	1	3

export industries avoid, to a greater degree, the overall declines in exports recorded in many other provinces over the last few years. It is worth noting that Manitoba's export base is the most evenly balanced between domestic and foreign markets of any province (see Chart 28). In the rest of Canada the ratio of foreign to domestic exports is 2:1.

Manitoba's foreign commodity exports have increased dramatically over the past several years and the diversification of the economy into increased value-added production can be best illustrated by the change in the shares of exports among major industries. In particular, manufacturing, which in 1997 accounted for about 56% of Manitoba's foreign commodity exports, has grown steadily to account for over 68% of foreign exports in 2003. New product lines in areas such as furniture, prepared meats, potato products, industrial chemicals, plastic products, pharmaceuticals, and printing and publishing goods increased dramatically.

As noted above, Manitoba's industry portfolio is broadly based, which helps manage the risk associated with a downturn in any particular industry (see Chart 29). Manufacturing is Manitoba's largest sector, accounting for about 13% of total GDP. Manitoba is home to Canada's largest furniture plant and is a major location for the manufacture of aerospace equipment, machinery, clothing and processed foods. Home to Motor Coach Industries and New Flyer Industries, Manitoba is also North America's largest producer of intercity and urban buses.

Primary industries have historically played an important role in Manitoba's economic growth and development. Agriculture, mining and other primary industries directly contribute about 7% to Provincial GDP. Manitoba's agriculture sector has diversified significantly over the past several years, and now produces a broader range of crop and livestock varieties.

Relative to most provinces, Manitoba's service sector is large – a factor which provides added stability to the Manitoba economy. This sector encompasses a wide range of private and public activity, including wholesale and retail trade, finance and insurance, transportation, health care, education and real estate. Service industries accounted for approximately 73% of Manitoba's economy in 2003, higher than the 69% for Canada as a whole. The service sector also accounts for about 75% of jobs in the province.

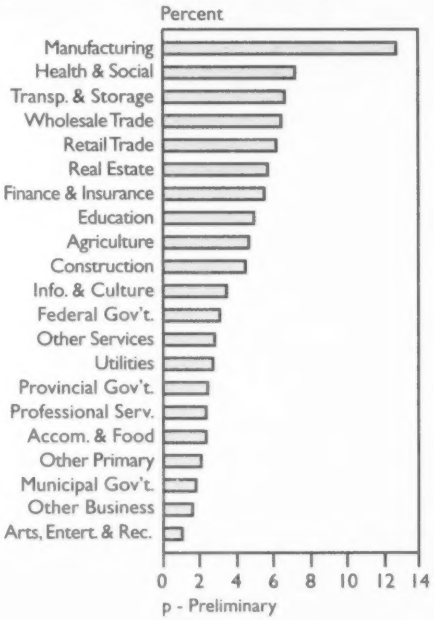
Service industries tend to be less susceptible to fluctuations through the business cycle than most goods-producing industries. The province is home to many major service sector operations, including the head offices of two of Canada's major financial corporations – Great-West Life and Investors Group – the International Institute for Sustainable Development, the Canadian Wheat Board, and CanWest Global Communications. Winnipeg is also a major centre for several other service industries, including transportation and storage industries, business call centres and wholesale trade.

Manitoba anchors the northern end of the mid-continent trade corridor that connects Canada to the central U.S. and Mexico. The main lines of the two national railways and three railway lines to the U.S. meet in Winnipeg. This, coupled with major air and road transport links, has spawned a large cargo and freight transportation sector. Three of the ten largest employers in the country's for-hire trucking industry are headquartered in Winnipeg. The international border crossing at Emerson is the second-busiest in Western Canada.

Research and innovation has been pivotal in promoting the diversification of Manitoba's industries. The development and diffusion of new technologies and processes have strengthened industry in the province, and a number of major research establishments are located here. A large part of the research activities under way in the province are centered in our higher education institutions.

Chart 29

Shares of Manitoba Gross Domestic Product, 2003p



p - Preliminary

Source: Manitoba Bureau of Statistics

Manufacturing Exports, Major Growth Categories, 1996-2003

	Percent Change
Chemicals	295.2
Printing & Publishing	292.0
Wood	166.9
Primary Metals	142.6
Plastics	132.1
Fabricated Metals	100.8
Food	93.0

Manitoba Economic Statistics, 1999 to 2003

	1999	2000	2001	2002	2003
	(Millions of Dollars)				
SECTORS					
Farm Cash Receipts	2,908	3,151	3,697	3,826	3,581
Crops	1,401	1,313	1,519	1,884	1,695
Livestock	1,291	1,551	1,796	1,723	1,578
Direct Payments	216	287	382	219	308
Manufacturing Shipments	10,918	11,439	11,372	11,263	11,412
Mineral Production	811	1,069	885	850	871
Electric Power Sales	1,179	1,295	1,458	1,361	1,282
Export Sales	363	454	596	472	380
Housing Starts (no. of units)	3,133	2,560	2,963	3,617	4,206
Retail Trade	9,026	9,396	9,937	10,649	10,890
FOREIGN EXPORTS					
Total Exports	8,039	8,679	9,576	9,406	8,800
U.S.	6,495	6,974	7,518	7,605	6,933
GROSS DOMESTIC PRODUCT					
Nominal	31,925	34,085	35,219	36,997	38,491
Real	31,442	32,866	33,277	34,031	34,676
BASE RATE WAGE SETTLEMENTS (%)					
Public	2.4	2.5	2.4	4.6	3.0
Private	2.9	3.3	2.5	1.3	0.3
Total	2.5	2.6	2.4	4.0	2.8
INVESTMENT					
Total	5,186	5,198	5,591	5,963	6,005
Private	3,807	3,909	4,233	4,593	4,442
Public	1,379	1,289	1,358	1,370	1,563
Non-residential	4,332	4,286	4,578	4,767	4,702
Housing	854	912	1,013	1,195	1,303
POPULATION					
July 1 (000's)	1,143	1,147	1,151	1,156	1,163
LABOUR MARKET					
Labour Force (000's)	574.8	583.2	587.1	598.0	598.6
Employment (000's)	542.7	554.4	557.9	567.0	568.7
Participation Rate (%)	67.5	67.9	68.1	69.2	69.0
Unemployment Rate (%)	5.6	4.9	5.0	5.2	5.0
CONSUMER PRICE INDEX					
(Index, 1992=100)	115.2	118.1	121.2	123.1	125.3
BANKRUPTCIES					
Business	216	253	300	249	243
Farm	29	18	19	41	28
Personal	2,466	2,475	2,493	2,437	2,609

Sources: Statistics Canada, Industry Canada and Manitoba Bureau of Statistics

1999	2000	2001	2002	2003	
(Annual Percentage Change)					
					SECTORS
-1.0	8.3	17.4	3.5	-6.4	Farm Cash Receipts
-14.0	-6.3	15.8	24.0	-10.0	Crops
6.1	20.2	15.8	-4.1	-8.4	Livestock
134.5	32.9	33.1	-42.7	40.8	Direct Payments
5.3	4.8	-0.6	-1.0	1.3	Manufacturing Shipments
-9.2	31.9	-17.2	-3.9	2.4	Mineral Production
4.4	9.8	12.6	-6.6	-5.8	Electric Power Sales
13.0	24.9	31.4	-20.8	-19.4	Export Sales
8.2	-18.3	15.7	22.1	16.3	Housing Starts (no. of units)
2.9	4.1	5.7	7.2	2.3	Retail Trade
					FOREIGN EXPORTS
-0.4	8.0	10.3	-1.8	-6.4	Total Exports
7.0	7.4	7.8	1.2	-8.8	U.S.
					GROSS DOMESTIC PRODUCT
3.3	6.8	3.3	5.0	4.0	Nominal
1.6	4.5	1.3	2.3	1.9	Real
					BASE RATE WAGE SETTLEMENTS (%)
-	-	-	-	-	Public
-	-	-	-	-	Private
-	-	-	-	-	Total
					INVESTMENT
3.7	0.2	7.6	6.6	0.7	Total
-3.2	2.7	8.3	8.5	-3.3	Private
28.9	-6.5	5.4	0.8	14.1	Public
4.8	-1.1	6.8	4.1	-1.4	Non-residential
-1.4	6.8	11.1	18.0	9.0	Housing
					POPULATION
0.4	0.4	0.3	0.4	0.6	July 1 (000's)
					LABOUR MARKET
1.4	1.5	0.7	1.9	0.1	Labour Force (000's)
1.3	2.2	0.6	1.6	0.3	Employment (000's)
-	-	-	-	-	Participation Rate (%)
-	-	-	-	-	Unemployment Rate (%)
					CONSUMER PRICE INDEX
1.9	2.5	2.6	1.6	1.8	(Index, 1992=100)
					BANKRUPTCIES
-18.8	17.1	18.6	-17.0	-2.4	Business
7.4	-37.9	5.6	115.8	-31.7	Farm
1.8	0.4	0.7	-2.2	7.1	Personal

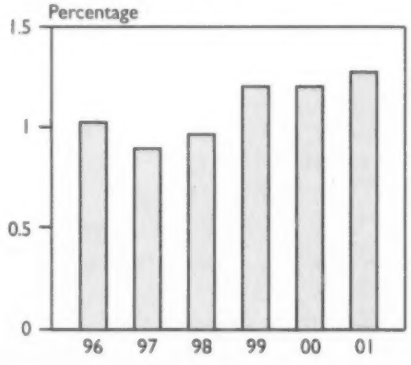
Appendix 1: RESEARCH AND INNOVATION

Innovation is a key element of economic growth and development. Innovation opens the door to higher productivity, higher living standards and a better quality of life.

A principal element of the innovation process is research and development (R&D). R&D creates the knowledge that ultimately can lead to innovation. Knowledge gained through research can produce new or substantially improved materials, devices, products or services, new processes or systems, or commercial applications. The discovery and application of research knowledge is necessary if the economy is to compete and prosper.

In Manitoba, fostering R&D and innovation is undertaken by a partnership of industry, higher education, the non-profit sector and governments. With this partnership, investments in research, innovation and in developing a skilled work force for knowledge-based industries will continue to grow.

Chart 30
R&D Expenditure as a Percentage of Gross Domestic Product, Manitoba



Source: Statistics Canada

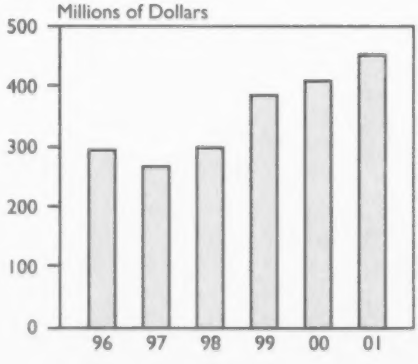
■ Manitoba's Research Environment

One of the principal measures of R&D effort is the ratio of R&D expenditure relative to GDP. In Manitoba, the current level of gross expenditure on research and development was estimated to be equal to about 1.3% of GDP in 2001. This is the fourth-highest ratio among the provinces and is an all-time high level of research activity in the province (see Chart 30).

Statistics Canada estimates that total gross expenditure on R&D in Manitoba in 2001 was $453 million, up 70% over four years and the highest level of R&D spending ever recorded (see Chart 31). About 3,700 personnel are engaged in R&D in Manitoba, three-quarters of them in higher education and private businesses.

Industry is an important component of the Manitoba R&D environment. Approximately 230 Manitoba businesses were involved in R&D programs across

Chart 31
Gross Expenditure on R&D in Manitoba



Source: Statistics Canada

a variety of economic sectors. These firms performed $161 million in in-house R&D in 2001, up from $132 million in 2000. Private industry also employed over 1,400 personnel in R&D activities in the province in 2001.

Research and innovation in Manitoba spans a broad range of industries, including engineering, medicine, pharmaceuticals, agriculture and agri-food, aerospace products and other transportation equipment. The list of firms undertaking research in the province include Apotex, Cangene Corporation, Novadaq Technologies Inc., Biovail Corporation, Advanta Seeds, Brett-Young Seeds, BASF, Agricore United, Vansco Electronics, Xerox Canada, Inco Ltd., New Flyer Industries, Boeing Canada and Bristol Aerospace.

One of Manitoba's widely recognized research strengths is in the fast-growing biotechnology sector. The province is home to 37 biotechnology companies. One in ten of Canada's biotechnology companies currently undertake research in Manitoba, and approximately 6% of Canada's industrial biotechnology employees work in Manitoba. Biomedical, environmental and agricultural biotechnology are the primary research areas, with a specific focus on cardiac and vascular diseases, infectious diseases, cell biology and gene technology, nutraceuticals, disease resistance and quality enhancement in cereal and oilseed crops. The province is home to 20 research centres and groups that undertake biotechnology research.

Manitoba is also home to a number of major public research and development facilities. These include the University of Manitoba, the St. Boniface General Hospital Research Centre, the Canadian Science Centre for Human and Animal Health, the National Research Council's Institute for Biodiagnostics, the Manitoba Industrial Technology Centre, TRLabs, the Food Development Centre, the National Centre for Agri-Food Research in Medicine, Agriculture and Agri-Food Canada's Cereal Research Centre, Canadian International Grains Institute and the Prairie Agricultural Machinery Institute.

While the province is widely recognized for its current research facilities and programs, a number of significant new projects will further add to the province's R&D networks.

- Construction has just been completed on the 100,000 square foot, $25 million **I.H. Asper Clinical Research Institute**, adjacent to the existing St. Boniface General Hospital Research Centre. The Institute will establish a new clinical research capacity designed to bridge the gap between the hospital's world-class cardiovascular research teams and patient care delivery. While improved health care delivery is a key aim, the project is also driven by a mandate to create more opportunities for high-tech product development, global marketing and export, skills development, recruitment of new specialized expertise, venture capital investment, public/private partnerships, contract research, intellectual property development and education. The new facility will include clinical research infrastructure, biomedical engineering facilities and a technology commercialization incubator.

- Construction of the **Richardson Centre for Functional Foods and Nutraceuticals** will begin at the University of Manitoba's SMARTpark in July 2004 with completion expected by the summer of 2005. This $25 million facility will bring together researchers from the agriculture, food sciences, human nutrition, medicine and pharmacology disciplines, along with their industry partners to study and develop functional foods and nutraceuticals.
- The new $14 million 55,000 square foot **Centre for Commercialization of Biomedical Technology** will be built adjacent to the National Research Centre's **Institute for Biodiagnostics** (IBD). The new facility will incubate start-up companies from the high-tech medical technology sector and spinoffs from the NRC, assisting them to become self-sustaining.
- An $11 million renovation and expansion project at the **Food Development Centre** in Portage la Prairie will be completed in the autumn of 2004. The Centre provides a timely and cost-effective way for the agri-food industry and entrepreneurs to produce safe, high-quality food products. Supporting greater value-added processing of agricultural commodities, the facility provides applied research and development in processing and packaging of all types of food produced in Manitoba.

The federal government continues to have a major presence in science and technology funding in Canada. In Manitoba, federal funding for R&D was estimated at $133 million for 2001/02, about 2.9% of the federal government's total commitment to R&D nationally. This share of national R&D investment is lower than Manitoba's share of national population, and the Government of Manitoba has encouraged the federal government to boost R&D funding in the province to recognize the funding deficiency.

The federal government supports science activities performed by federal departments and agencies, universities, businesses or other organizations. Federal departments and agencies conducting research in Manitoba include Agriculture Canada, Environment Canada, Fisheries and Oceans, Health Canada and the National Research Council. About 58% of the federal expenditures on R&D in Manitoba are for work carried out by these departments and agencies, while another 30% of the federally funded R&D is conducted by universities.

■ Provincial Support for Research and Innovation

The Province supports research and innovation both through direct spending programs, and through the Manitoba Research and Development Tax Credit.

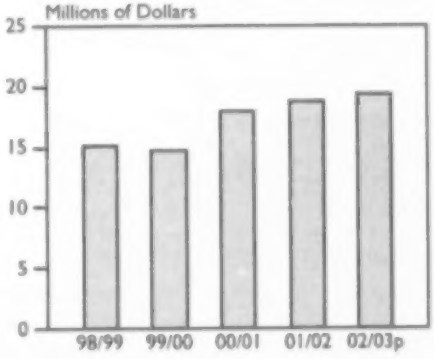
Manitoba's direct expenditures on R&D include internal departmental spending, support to business enterprises, R&D support to universities and health care organizations, and support through the activities of the Industrial Technology Centre.

Manitoba's Research and Development Tax Credit encourages private sector R&D activity in Manitoba. The Tax Credit Program provides a 15% non-refundable Credit for qualifying R&D expenditures (see "Manitoba Research and Development Tax Credit", page A37).

In 2002/03, direct expenditure on R&D by the Provincial Government is estimated at $19.4 million, up 3.7% from 2001/02 (see Chart 32). Most of the Provincial Government's direct expenditure commitment to R&D is provided to universities, hospitals and other health organizations, including the Manitoba Health Research Council. The balance of Provincial R&D support is provided through the work of Government Departments, private businesses and other parties.

Manitoba partners with the federal government through the Manitoba Research and Innovation Fund (MRIF). The MRIF was established to assist in increasing the capabilities of Manitoba universities, colleges, hospitals and not-for-profit sector to conduct scientific research and product development. The Fund also enhances the ability of Manitoba research institutions to attract and retain world-class researchers and technicians, and increases Manitoba's capacity to innovate through such means as supporting science awareness and technology commercialization.

Chart 32
Provincial Government Expenditure on R&D, 1998/99 - 2002/03



p - Preliminary
Source: Statistics Canada

This program, in part, leverages funds from outside sources, such as the Canada Foundation for Innovation (CFI), Genome Canada and the Canadian Institutes of Health Research (CIHR) Regional Partnerships Program (RPP). Funding in 2003/04 leveraged over $14 million from other public and private sources.

In 2003/04, dozens of projects were funded through the MRIF, including several funded in partnership with the Canada Foundation for Innovation, which provides support for research infrastructure. The MRIF supported various research projects in several areas including infectious diseases, micro-electronics, and genomics at a number of Manitoba institutions including Red River College, Brandon University and the University of Manitoba. The table "Manitoba Research and Innovation Fund Projects, 2003/04" on page A36 provides a list of some of the projects funded last year.

As well as providing health research support through the various MRIF subcomponent programs, Manitoba has implemented the Health Research Initiative. The objectives of the Initiative are to assist Manitoba's health research centres to increase R&D activities in Manitoba and facilitate sustained economic growth and the creation of high-quality jobs. The program is an incentive-based initiative with the distribution of funds tied to the amount of research revenue each Manitoba health research centre attracts from private industry and from non-governmental granting agencies outside the province. In 2003/04, the Health Research Initiative provided $2 million to support operating costs for five health research centres in Manitoba.

Manitoba Research and Innovation Fund Projects, 2003/04

	Funding (Thousands of Dollars)
200 kV Field Emission Gun – Electron Microscope	599
600 MHz NMR Spectrometer for Solids and Liquids	418
Canada – Kenya Infectious Disease Research	250
Canada Research Chairs – Infrastructure Grants (10 projects)	1,177
Centre for Agroecological Livestock Production Systems	1,100
Centre for Applied Research in Sustainable Infrastructure	275
Facility for the Study of Supercritical Water Flow	136
Fundamental Geonomics of Abiotic Stress in Crop Projects	190
Health Research Initiative	2,000
High Volume Combinatorial Drug Synthesis	161
Infrastructure for Neurobiology Laboratory	168
Manitoba Breast Cancer Research and Diagnosis Centre	604
Manitoba Centre for Health Policy Endowed Child Health Chair	400
National Micro-electronics and Photonics Testing Collaboratory	130
Richardson Centre for Functional Foods and Nutraceuticals	1,375
Regional Partnership Program	367
TRLabs	480
All Other	2,217
Total	$12,045

Source: Department of Energy, Science and Technology

The Province provides additional health research support through grants to the Manitoba Health Research Council (MHRC) and the Manitoba Centre for Health Policy (MCHP). Support to the Council of almost $2 million in 2003/04 enabled the MHRC to increase its activities. The Council promotes and assists basic, clinical and applied health sciences in Manitoba, and advises the Ministers of Health, and Energy, Science and Technology on health research matters referred to the MHRC. The Council operates a number of funding programs, including awards to post-doctoral and graduate students, Ph.D dissertation awards, and operating and establishment grants.

The MCHP is a research unit in the University of Manitoba's Faculty of Medicine. The MCHP provides population-based health services research and policy analysis to support health care decision makers and providers in offering the most effective and efficient services to maintain and improve the health of Manitobans.

MANITOBA RESEARCH & DEVELOPMENT TAX CREDIT

In 1992, Manitoba introduced a 15% non-refundable Corporation Income Tax credit for scientific research and experimental development undertaken in Manitoba by a taxable corporation with a permanent establishment in Manitoba. The incentive is tied to the criteria used to determine eligibility for the federal investment tax credit on qualifying R&D expenses and supplements the federal credit.

The federal and provincial R&D credits are broadly targeted insofar as both incentives are activity based, and apply to all sectors and industries. Both current expenditures, which include remuneration of persons engaged in research and the cost of materials and prescribed capital expenditures, which includes the cost of machinery and equipment, are eligible expenses for purposes of Manitoba R&D tax credit amounts.

From the inception of the Manitoba R&D tax credit through to the 2002 taxation year (the latest year for which data is available), firms conducting R&D in Manitoba earned $77.2 million in Provincial tax credits.

Further detail in respect of the Research and Development Tax Credit programs is available at http://www.ccra-adrc.gc.ca/taxcredit/sred/menu-e.html.

Over the years, studies by various agencies have repeatedly confirmed that Canada's income tax treatment of research is among the most generous in the world, especially when coupled with Provincial incentives. The following table shows the after-tax cost associated with R&D current expenses for a large corporation and a small privately-owned corporation, based on 2003 income tax rates.

After-Tax Cost of $100 R&D Expenditure, 2004

	Large Corporation	Small Private Corporation
Eligible R&D expenditure	$100.00	$100.00
(less) Manitoba tax credit	15.00	15.00
(less) Federal tax credit	17.00	29.75
Deductible Amount	68.00	55.25
Tax Savings:		
Manitoba	10.54	2.76
Federal	15.04	7.25
Net after-tax cost	**42.42**	**45.24**

A newly created endowed Chair in Child Health will provide a focus on understanding the links between child development and human development.

The Government of Manitoba is also a partner with the federal government in the Networks of Centres of Excellence program. This program was established several years ago to support research at universities and hospitals in partnership with the private sector. Manitoba's objectives in developing the Manitoba Centres of Excellence Fund (MCEF) are to attract and maintain world-class R&D activity to Manitoba and to generate related spinoff benefits for local companies and non-profit institutions.

In 2003/04, 12 Manitoba Network of Centres of Excellence research programs received support totalling $484,000 through the MCEF. Grants were provided to research programs such as the Canadian Genetic Diseases Network, the Canadian Institute for Telecommunications Research, Intelligent Sensing for Innovative Structures, the Canadian Stroke Network and Sustainable Forest Management.

Manitoba continues to support a number of major research initiatives in the province related to agriculture. The Agri-food Research and Development Initiative (ARDI) provided $1 million in funding for research and development aimed at enhancing diversification, value-added opportunities and export capabilities in the province's large agri-food sector.

The Province supports a special operating agency, the Food Development Centre, to undertake R&D and related services to bring new Manitoba food products to market. The Centre provides support to clients in product development, food processing and packaging, and shelf-life testing. The Centre is undertaking an $11 million expansion, which should further support the diversification of the agri-food sector in Manitoba and move more new products from the province into the international marketplace.

Portage la Prairie is also home to the Prairie Agricultural Machinery Institute (PAMI) Manitoba testing and development station. Established over 25 years ago, PAMI is jointly sponsored by the governments of Manitoba and Saskatchewan. PAMI tests machinery for a wide range of clients, including equipment manufacturers, farm producers, commodity groups and governments. Although the Provincial Government provides some financial support to the Institute, PAMI has been a largely self-supporting research organization through fee-for-service arrangements.

Another special operating agency of the Manitoba Government is the Industrial Technology Centre (ITC). ITC facilitates technological change and innovation by providing advanced technical research and testing for a variety of manufacturers, inventors and other clients. Facilities and services include a calibration laboratory, noise and vibration analysis, mechanical testing, advanced document examination and administrative support for product development and related activities. For the past two years, ITC has operated a $1.5 million Virtual Reality Centre, which allows businesses to realistically simulate new products before they are built. Manufacturers can use the virtual technology to design any product with computer images that show how two-dimensional models will actually look and feel in a three-dimensional world. The Centre is the only one of its kind in Canada.

Manitoba is home to one of five TRLabs applied research laboratories. Sponsored by university, government and industry partnerships and funded in part by the Department of Energy, Science and Technology, it is Canada's largest not-for-profit information and communications technology research consortium. TRLabs Winnipeg was established in 1994 and employs 58 people in the area of data networking – research aimed at improving the speed, reliability and efficiency of the communications network. TRLabs creates innovative technologies and trains students to enhance ITC expertise and improve Canada's global competitiveness.

As well as direct sponsorship of research and innovation programs in the province, the Manitoba Government has supported several investment capital supply programs. Some have provided venture capital support to new and innovative companies, including the Manitoba Science and Technology Fund and Renaissance Capital Fund. Established in 2002, the $45 million Western Life Sciences Venture Fund focusses on bringing life sciences research and new knowledge to commercial development. Two labour-sponsored venture capital corporations, the Crocus Investment Fund and Ensis Growth Fund Inc., are an active, ongoing source of investment capital for growing Manitoba companies.

Manitoba Hydro commits approximately $5 million per annum to a research and development program to assist in providing higher system reliability, lower electricity rates, increased safety of the system infrastructure and improved customer quality of service. Some of this research is undertaken in-house, while the company sponsors other research at universities and other external research facilities. Last year, Manitoba Hydro helped support 110 individual research projects.

Manitoba Hydro also operates the HVDC Research Centre. The Centre, established in 1981, performs innovative research and development in high voltage DC and power electronic technologies, instrumentation and simulation. The Centre has become a world leader in the technology of electric power system simulation, applied power systems analysis and related technologies.

University of Manitoba

Universities and other post-secondary institutions play a critical role in Canadian R&D activities. These institutions provide the knowledge and the skilled labour force necessary for innovation, and serve as incubators for new ideas in basic and applied research.

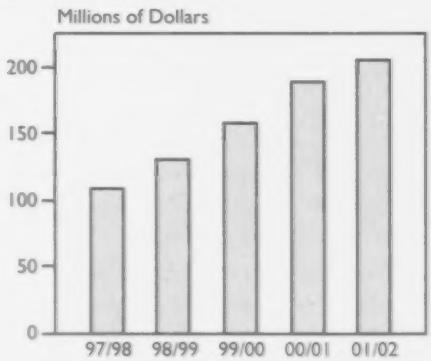
In Canada, higher-education institutions account for about one-third of the R&D work performed. In Manitoba, the role of higher education is even more important as higher education (including related institutes, clinics and research stations) accounts for half of the R&D activity.

Statistics Canada estimates that R&D expenditures by Manitoba's higher-education sector in 2001/02 totalled $205.8 million, up from $189.6 million in 2000/01 (see Chart 33). Natural sciences and engineering (including health sciences) accounted for approximately three-quarters of this total, while social sciences accounted for the remainder.

The University of Manitoba is one of Canada's major research universities. The University has enrollment of 26,600 students with more than 3,000 academic and support staff. The University's reputation for outstanding research has earned it national and international recognition, and helps it to earn over $100 million annually in grants and contracts. Many of the research projects conducted at the University involve collaboration and partnership with other higher education institutions, private firms, community organizations and governments. The University is home to more than 20 research centres and affiliated institutes ranging in scope from defense and security studies to cardiovascular sciences.

Chart 33

R&D Expenditure in Manitoba Higher Education 1997/98-2001/02



Source: Statistics Canada

The University is an active participant in the national Networks of Centres of Excellence program. Currently, the University's researchers participate in 16 of the 21 networks created under this program, and the University is the network leader of Intelligent Sensing for Innovative Structures Canada, the national network focussing on "smart" civil infrastructure.

The University of Manitoba has established 28 Canada Research Chairs to ensure its leadership role in areas of established excellence. The research programs of these Chairs focus on such important fields as infection and immunity, aerospace materials, protein chemistry, natural resource management and Canadian social history. The University's life sciences research activities are further strengthened through active partnerships with several major provincial medical research organizations, including CancerCare Manitoba, the Health Sciences Centre, St. Boniface General Hospital Research Centre, the Manitoba Institute of Child Health and the Canadian Science Centre for Human and Animal Health.

Construction is beginning on the University's new Engineering and Information Technology Complex, which will provide leading-edge research and teaching facilities for engineering and computer science. New laboratories and equipment will help build on all current areas of research expertise – including advanced manufacturing, advanced materials, biomedical engineering, civil infrastructure, electrical power systems and information technology/communications – and create new research opportunities. In addition to building innovative links between the engineering and computer science disciplines, the complex will strengthen research collaboration with industry.

SMARTpark, the research and innovation park located at the University of Manitoba, continues to grow. SMARTpark brings together industry and the University to promote R&D and the development of knowledge-based industry. One of the key features of the park is its proximity and access to the extensive resources of the University.

2003 saw the completion of a second 30,000 square foot multi-tenant research facility at SMARTpark. Several independent firms and a business incubator facility, "Incubat," have now made the SMARTpark facility home. Incubat is intended to promote the development and commercialization of research from the information technology and biotechnology sectors in Manitoba through mentoring, technology transfer and knowledge-based economic development.

Cangene Corporation, a world leader in the development, manufacture and commercialization of specialty hyperimmune plasma and biotechnology products, recently completed an $8.5 million, 65,000 square foot expansion of a pharmaceuticals facility at SMARTpark. Construction of the Richardson Centre for Functional Foods and Nutraceuticals will begin at SMARTpark in the summer.

University Of Manitoba National Centres of Excellence

- Intelligent Sensing for Innovative Structures (Leader)
- genetic diseases
- arthritis research
- stroke research
- robotics and intelligent systems
- bacterial diseases
- protein engineering
- water research
- sustainable forest management
- photonic innovations
- microelectronic devices and systems
- automobile design and engineering
- vaccines and immunotherapeutics
- mathematics of information technology
- advanced food and materials
- arctic research

Appendix 2: CLEAN ENERGY, CLIMATE CHANGE AND ECONOMIC DEVELOPMENT

■ Introduction

The world's second-largest reinsurance company, Swiss Re, reported that the negative impact of climate change cost the world $80 billion in damages in 2003, and warned that the annual costs of climate change could reach $200 billion within ten years – hitting insurers every year with claims equal to a World Trade Centre attack. The single most costly item was the European heat wave of 2003, the worst in Europe's recorded history. It claimed more than 35,000 lives, cost farmers $13 billion in lost production, saw British temperatures reach 38°C for the first time, closed nuclear plants in Italy due to a lack of cooling water, saw wildfires sweep France and Portugal as temperatures reached above 45° Celsius, and triggered dozens of avalanches in the Alps. All this just a year after record-breaking floods swept across Central Europe. These events help explain why Swiss Re concluded, "Today, global warming is a fact. The climate has changed: visibly, tangibly, measurably."

Western Canada has also been facing more frequent extreme climatic events. Forest fires stretched across every Western province, and while Kelowna was the most visible example, Manitoba was actually the most heavily affected. Drought continued to hit large areas of the West, hurting farmers and lowering hydro-electric production. British Columbia's increasingly warm winters have freed the mountain pine beetle from winterkill – unleashing the worst insect-related forest disaster in our history, with 4.2 million hectares of pine forest already infested.

Meanwhile, scientists at the U.S. observatory at Mauna Loa measured the highest global CO_2 levels yet recorded (379 ppm vs. 316 ppm when the site opened in 1958). Britain's Chief Scientific Advisor, Sir David King, toured the U.S., explaining Britain's commitment not just to the Kyoto targets, but to achieving a 50% cut by 2050, and asserting, "Climate change is the biggest issue for us to face this century. It's man-made. And the science is done."

The debate over the science of climate change is likely to continue for many years, as will international political debate. But perhaps more important than the state of the scientific debate is the fact that the last few years have witnessed an extraordinary accelerated rollout of new, clean technologies and products – the fruit of large-scale Research & Development (R&D) and investment efforts by major corporations, investors, scientists, governments and communities.

While the development and rollout of these new technologies have been accelerated by climate change policies, they have also been driven by other powerful factors – technological innovation, the need for cleaner air and water, volatile global oil and gas prices, and changing customer preferences. Perhaps the three most visible innovations today are:

- Hybrids. The first hybrid vehicle arrived in North America in 2001, promising to improve fuel efficiency by 30% to 60%. This year, the Toyota Prius hybrid won Motor Trend's Car

of the Year award, and global sales of hybrids reached $5 billion. Within two years, 17 models with hybrid engines will be available to North American buyers. Global sales are projected at $30-$70 billion within a decade.

- Wind power. Wind power has been the world's fastest-growing source of electricity generation for a decade, and now sustains annual sales of $12 billion. Individual turbines manufactured by firms such as GE and Mitsubishi now reach 80 metres in hub-height, and have blades larger than the wings of a Boeing 747. Global sales are projected at $90 billion annually within a decade.
- Ethanol. U.S. ethanol production has tripled over eight years, with annual sales reaching $8 billion. Eighty North American ethanol plants now produce 13 billion litres of fuel – the equivalent of 75 million barrels of oil annually. Canadian production is expected to triple within two years, while the U.S. plans to add another seven billion litres.

Across the globe, investors, researchers and governments are racing to expand their shares of these exponentially growing markets – some focussing on the automobile, fuel cells and the "hydrogen economy;" others on wind power, solar photovoltaic panels, and the "emerging renewables." Rural areas are sites for "biofuels and bioproducts" such as ethanol and biodiesel, bioplastics, biomaterials and carbon sequestration; while urbanites focus on hybrid vehicles, smart metres, advanced appliances and the immediate savings available to them through "energy efficiency."

Two years ago, the Government of Manitoba decided to strengthen its national position on climate change. Eighteen months ago, it backed up this approach with a new Department of Energy, Science and Technology – including a new unit, the Energy Development Initiative with a mandate to focus on these opportunities. It has become clear that Manitoba's approach is to ensure minimal downside risk to existing major industries, position itself to lever in new resources, and benefit from the very specific advantages it possesses.

Perhaps the most noteworthy development of the past two and one-half years (since the Axworthy Report on climate change), is that Manitoba has become a Canadian leader in developing a number of these proposals and projects – in new hydro, hydrogen, new buildings, ethanol, transmission, heat pumps and wind. These projects will help to boost Manitoba's energy self-sufficiency, speed its move away from fossil fuels, and enable the creation of a renewable energy hub – where generation, transmission, efficiency and expertise will meet. With development in these fields being extremely rapid, it is worth surveying those sectors which are most important to Manitobans.

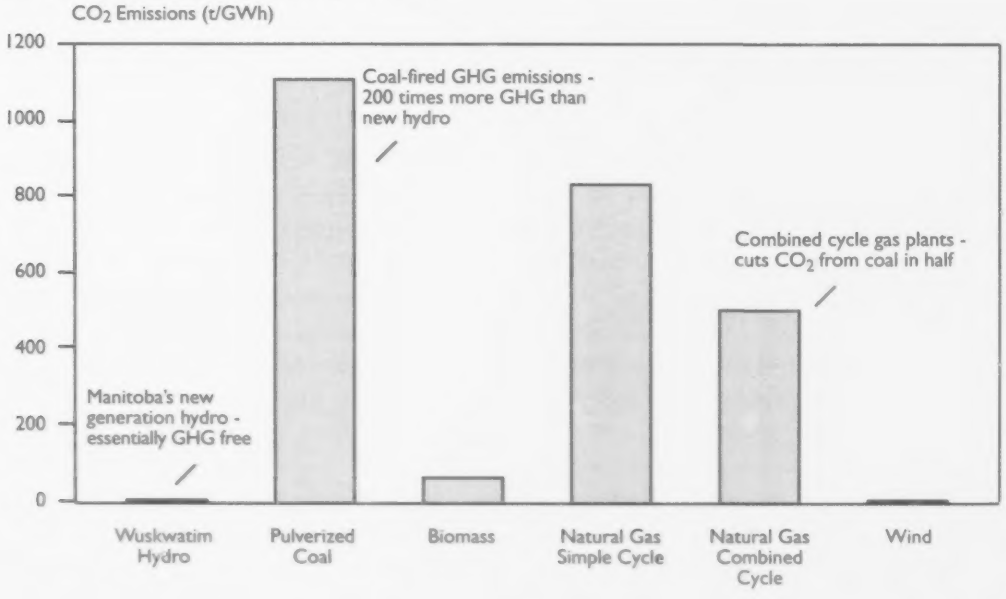
■ New Generation Hydro

Manitoba Hydro provides among the lowest-cost electricity on the continent, largely as a result of its hydro-electric generating base. The fact that 95% of our power is generated through renewable hydro-electricity also means that it generates less CO_2 per kilowatt hour than any other utility in North America. As neighbouring coal-based jurisdictions (such as the U.S. Midwest, Ontario, Saskatchewan and Alberta) come under increasing pressure to reduce their CO_2 emissions and clean up smog and acid rain, Manitoba's potential to export clean energy rises correspondingly.

While Manitoba has 5,000 megawatts (MW) of potential new hydro-electric capacity available, it has decided to proceed prudently with the development of these resources, and to minimize and even eliminate certain problems associated with hydro development in the past.

- All new Manitoba Hydro projects will be designed so that flooding is substantially reduced or virtually eliminated. For example, the Wuskwatim project was originally designed to generate 350 MW of power, a design which would have resulted in the flooding of 140 square kilometres (km^2) of land. In consultation with local Aboriginal communities, a new-generation, "run-of-river" design was chosen, which reduced capacity to 200 MW, but which also virtually eliminated flooding. By comparison, previous projects, such James Bay in Quebec, flooded more than 10,000 km^2, whereas Wuskwatim will reduce land-take to an area less than 0.4 km^2 (less than a single quarter section of farmland.)
- Manitoba has ensured that Aboriginal communities – which historically have borne a significant share of the hardship associated with past projects – are not only consulted, but enabled to become active, direct financial partners in these new projects. This means employment opportunities during the construction and operation, as well as active pre-project training to ensure maximum skill development – skills which can be used to generate income long after construction is complete. First Nations will also benefit from a direct share in the project's lifetime revenue streams through an equity partnership at Wuskwatim.
- Manitoba is working with potential buyers to ensure that, wherever possible, the new export sales are used to reduce coal-fired generation, and thus, CO_2, acid rain, mercury and other emissions. Since Ontario and Saskatchewan have a significant number of aging coal-fired plants, tightening

Manitoba's New Generation Hydro - Reduces Air Pollutants by 99.9%



Source: Pembina Institute

environmental and climate-change regulations will result in significant emissions reductions. For example, the estimated 20-year value of the 7-9 million tonnes of CO_2 to be reduced through a major coal-displacing power transfer to Ontario ranges from $1.0 - $4.8 billion.

These changes represent a great opportunity for "new generation hydro," and encompass both larger-scale projects like Wuskwatim (200 MW), Conawapa (1,250 MW) and Keeyask (620 MW), as well as hydro micro-projects in off-grid, diesel-dependent communities such as Brochet and Lac Brochet.

Manitoba's New Generation Hydro Design Floods Less Than One Average Canadian Farm

	Old Design	New Generation
Power	350 MW	200 MW
Flooding	140 km^2	< 0.5 km^2

Economically, the three larger projects could trigger 80,000 person-years of employment. Further, they could generate substantial new tax revenues (including $700 million for the federal government.) Environmentally, they would displace enough coal-fired CO_2 to make this clean energy project the single largest CO_2-reducing measure in Canada.

Clean energy, such as would come from the Conawapa Project, would need a buyer. Manitoba finds itself in an enviable position, with Ontario requiring up to 25,000 MW of additional clean power to meet its supply/demand "gap" over the next two decades. In addition, there are considerable export opportunities in other neighbouring jurisdictions. To support the power transfer from our province, Manitoba has developed and promoted the concept of a "National Clean Energy Grid." Nationally, existing east-west interconnections between Manitoba and Ontario are able to carry only 300 MW (compared to 2,250 MW North-South to the U.S.) which leaves in question Canada's ability to secure a reliable and sufficient energy supply. In addition, Canada needs increased investment in east-west transmission capacity to carry clean energy to Canadian markets. Strategically, such a development would offer Manitoba the critical marketing advantage of being able to sell both east-west and north-south, while Ontario could assure itself of substantial supplies of clean power at a stable price. A Clean Energy Grid could also be designed to accommodate wind power in Northern Ontario which, due to lack of transmission, is currently "stranded".

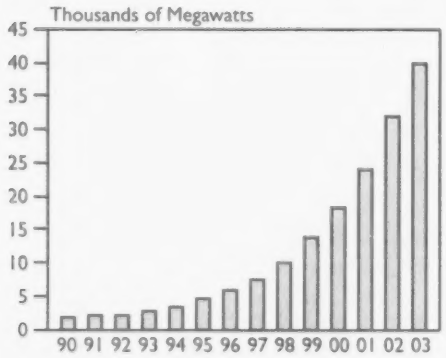
These clean energy opportunities are at the forefront of national policy discourse as a result of leadership shown by the Government of Manitoba and by Manitoba Hydro. Hydro has the lowest electricity rates, the best reliability record, and the highest customer satisfaction ratings in Canada. With more than 500 Aboriginal employees, it also has become Canada's leading industrial employer of Aboriginal people. Meanwhile, our province has reduced its overall CO_2 emissions and led the national climate change effort, while designing and leading the national campaign to develop the National Clean Energy Grid – projects with Canada's interests, as well as Manitoba's, front and centre.

The federal government could play a constructive role in this development by investing in the National Clean Energy Grid, and by ensuring that the emission-reduction benefits of clean energy are recognized financially. Past nation-building projects such as the Trans-Canada Highway, the National Railway and the St. Lawrence Seaway were led nationally – while other energy sources, such as nuclear power, offshore oil and gas, and the oilsands, benefited from substantial federal investment support. The national interest in our National Grid is clear - it will ensure our national energy security and reliability, capture enormous CO_2 and clean-air improvements, trigger billions of dollars of new investment, and bring major employment gains to communities across Canada.

■ Wind Power

During the 1990s, wind power was the world's fastest-growing source of electricity. It grew at 30% annually, and with more than 40,000 MW of wind turbines installed worldwide. Throughout that decade, manufacturers of wind-turbines made remarkable progress in increasing generating capacity, hub-height, and reliability. Whereas just 10 years ago, turbine capacity averaged 0.3 MW, today's turbines generate 1.5 MW – five times the power. New 4.5-MW models are already undergoing field tests. Hub-heights have now reached 80 metres (the height of a 20-storey building) to harness the stronger winds that blow at greater heights. Turbine blades are larger than the wings of a Boeing 747. Leadership in these manufacturing improvements has come from European innovators such as Vestas and NEG-Micon, now joined by global giants such as GE and Mitsubishi, who sell the turbines for wind projects worth $12 billion annually. The merged Vestas/ NEG-Micon firm sold $3.5 billion worth of turbines last year alone.

Growth in Global Wind Capacity



Sources: BTM Consult and EWEA

Some of the world's largest private investors, global oil and gas firms, and electrical utilities have led in making inroads for wind power, based on its greater competitiveness. U.S. investor Warren Buffett is building the world's largest wind farm in Iowa, worth $500 million. Shell recently announced a $2.5 billion investment in offshore wind-power development in the United Kingdom, capable of supplying one-quarter of the power needed by London. Texas installed 1,000 MW in the year 2000 alone. Sir Mark Moody-Stuart (former Chair of Shell and now Chair of Anglo-American) predicts that wind power will be a $90 billion industry within ten years.

While Canada has lagged behind other jurisdictions in developing wind power, there is now a rapid, nationwide movement of capital into the sector. Quebec already has more than 100 MW installed, and is tendering 1,000 MW more – an investment worth $1.8 billion. Private energy firms such as Suncor, Enbridge, TransAlta, Irving, and Brascan have already built, or are proposing to build, more than 1,500 MW of additional wind-power capacity across Canada.

On the part of the private sector, communities, investors and individuals, there is a great deal of interest in developing wind power in Manitoba. This interest stems in large part from our particular advantages.

- Manitoba's wind resource is strong. North Dakota's excellent wind resource has made it known as "the Saudi Arabia of wind," which led developers to take a closer look north of the border, at Manitoba.
- Manitoba's sites are easily accessible, especially when compared to windy sites in mountainous or offshore regions. Major transmission lines already run through several Manitoba regions, making it more economical to connect wind farms there to the grid.
- Many rural Manitobans remember when windmills were part of our working landscape. The St. Leon project has shown that they are enthusiastically willing to support the return of wind power to Manitoba. This could speed the development of wind farms here by making them less risky and less costly.
- Wind power is an excellent complement to hydro-electric power. Wind power's major weakness is its "intermittency." Failing winds mean power is unavailable to be "dispatched". The best generating technology for storing wind power and "firming" it for release on demand is a hydro reservoir system like Manitoba's. And for hydro-based systems, wind power offers additional diversity and protection against droughts, generates more power in winter to meet our peak loads, and can be constructed within one year, whereas new hydro projects have long lead times. While other prairie and plains jurisdictions, including Saskatchewan and the Dakotas, also have strong winds, Manitoba is the only such jurisdiction which holds this critical and complementary advantage – hydro power to address the intermittent nature of wind power.

This combination of advantages has led to the erection across Southwest Manitoba of wind-monitoring towers. These include seven sites owned by Manitoba Hydro and the Province, along with numerous installations owned by private energy firms and wind developers. The St. Leon project is furthest along in development: sufficient wind data has been gathered; local access and wind rights have been secured; environmental approvals have been completed; final terms for a power purchase agreement with Manitoba Hydro are being negotiated; and financing is being arranged. Should this 99.5-MW project go ahead, it would trigger investment of $190 million; create 280 jobs in construction and 25 to 30 ongoing operational and management positions; and provide hundreds of thousands of dollars in annual payments to local landowners and the community. If its power replaced coal-fired power, it would eliminate more than six million tonnes of CO_2 over its working life.

Wind power offers substantial benefits to Manitoba Hydro. It also offers significant economic benefits to rural communities. Landowners will obtain revenues from the sale of wind power and access rights. Local communities will gain a new source of property taxation. Young people seeking employment will have access to a growing, innovative and sustainable industry. In the longer term, Manitoba can look forward to jobs in spinoff industries.

Biofuels and Bioproducts

When Henry Ford created the Model T and Rudolph Diesel invented the diesel engine, they were not originally designed to run on conventional, petroleum-based gasoline and diesel. Rather, they were designed to run on ethanol and biodiesel, both biofuels. But when the mid-20th Century petroleum-based revolution began to produce enormous quantities of low-cost fuels from fossil-fuel stocks, bio-based products were largely left aside.

Recently, the U.S. Government announced a 10-year partnership to triple the use of bioproducts, aiming to "cut the costs of these technologies two- to ten-fold." This commitment of major public funding to bioproduct development has combined with significant new R&D commitment and direct investment by major corporations such as DuPont, Procter & Gamble and Dow. Minneapolis-based Cargill Dow Polymers recently invested $1.2 billion to develop a new plant-based bioplastic called NatureWorks, made at the world's first large-scale plant of its kind, near Omaha, Nebraska. This plant can produce 140,000 tonnes of bioplastic annually, using as raw material 40,000 bushels of corn every day – 14 million bushels a year. This new bioplastic resin (called polylactide or "PLA") is competitive with petroleum-based plastics and is already being purchased by Coca Cola, Dunlop and Sony for food packaging, mattresses, comforters, pillows, rugs and clothing. In CO_2 terms, its life-cycle greenhouse gas (GHG) reductions are 15% to 60%, and future developments are likely to raise this to 80% to 100%.

The bioproducts field includes hundreds of new products, moving agriculture well beyond its traditional role of supplying "food, feed and fibre". Subsectors include:

- biofuels (e.g. ethanol and biodiesel);
- bioenergy (energy and electricity from biomass/biogas – e.g. livestock manure);
- biomaterials and biofibers (e.g. composites, polymers, insulation, panels, etc.);
- biochemicals (e.g. enzymes, adhesives, solvents, coatings, inks);
- bioplastics (such as Cargill Dow's "NatureWorks" line); and
- bio-based pharmaceuticals and nutraceuticals.

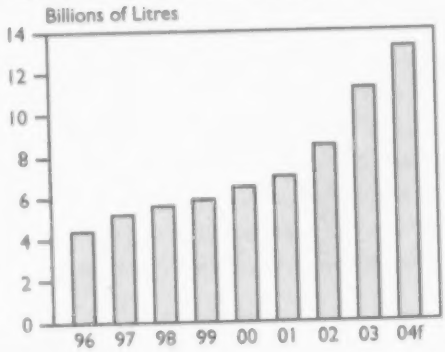
In Manitoba, the wider bioproducts sector is already beginning to bloom.

- Manitoba is already home to the Dow BioProducts "Woodstalk" product – a building material made from straw – with plant production rising rapidly in recent years.
- Manitoba's first major anaerobic digester (AD) for hog manure was recently constructed by DGH Engineering, at a 6,000-head hog feeder farm owned by Cook Feedlot in Teulon. The "Bio-Terre" system is a commercial prototype of a widely heralded Canadian design intended to capture the usual benefits of such systems (generating methane to heat farm buildings with reduction in odours, air emissions and GHGs, and soluble COD in the slurry) while overcoming the difficulties traditionally facing such technology in cold climates.
- Engineering studies are under way at Winnipeg's Brady landfill, with preliminary work highlighting the possibility of capturing enough methane from the decaying organic material to produce 7 MW of electricity, while reducing GHG emissions by 500,000 tonnes annually.

Manitoba's most obvious opportunity, however, is in ethanol and biodiesel. Biodiesel opportunities are being explored as the Manitoba Biodiesel Advisory Council looks into key issues surrounding this new industry. Ethanol has a much longer history in Manitoba; it has been produced, sold and consumed here for over 20 years. It is supplied by the 10-million-litre-per-year Minnedosa ethanol plant owned by Husky Mohawk. Worldwide, the ethanol industry is booming.

- Minnesota has 17 ethanol plants, most of them farmer-owned, which triggered $1.4 billion in new investment, and which are now supplying 1.3 billion litres of fuel.
- U.S. ethanol sales have quadrupled in eight years, and are now over $8 billion annually, enabling motorists in virtually every state to purchase and use ethanol.
- Within Canada, the federal government recently announced additional support for ethanol, intended to engage Sunoco, Commercial, Husky and others in quadrupling national production to 1 billion litres annually, with fuel and co-product sales worth $600 million annually.
- Even the European Union has adopted ethanol, with biofuel targets rising to 15 billion litres by 2020.

U.S. Ethanol Production



f - Forecast

Source: U.S. Renewable Fuels Association

Ethanol has long been known as a "high performance" fuel, but its recent production surge has been driven by additional forces.

- Ethanol burns more cleanly than gasoline and thus reduces air pollution in major cities.
- Ethanol's life-cycle GHG emissions are substantially lower than for gasoline, with federal studies showing Manitoba-produced ethanol reduces GHG the most, i.e. by 50%.
- Ethanol production reduces reliance on fossil fuels, an especially pressing issue as oil and gas prices rise. The U.S. now produces enough ethanol to replace the equivalent of 75 million barrels of oil annually.
- Ethanol production boosts agricultural diversification, creating not just fuel, but also a protein-rich animal feed co-product.
- The production cost of ethanol has steadily fallen over the past 20 years.

The Manitoba Legislature recently passed *The Biofuels Act*, which will see gasoline blended with Manitoba-produced ethanol receive a tax reduction at the pump, as well as blending becoming mandatory (as in Minnesota.) The mandate and tax preferences will help provide ethanol a level playing field with long-subsidized gasoline, and help ensure that pump prices remain competitive.

The potential economic gains for Manitoba are substantial. Last year, Manitobans paid more than $700 million to producers of fossil-fuel gasoline, money which left our economy and thus triggered little or no multiplier effect. On the other hand, production of 130 million litres of ethanol (10% of the Manitoba market) would result in $1 billion remaining in Manitoba's economy over the 20-year lifetime of the plants. Most of the spending to produce ethanol will go to Manitoba's wheat producers, diversifying their markets and also capturing protein value in the form of Distillers Dried Grains (DDG), which can replace imported animal feed. Should farmers and investors take a direct equity share in their ethanol plants (as in Minnesota), returns to the local economy would further increase. And environmentally, this initial stage of ethanol expansion will reduce CO_2 by 135,000 tonnes – the equivalent of removing over 10,000 vehicles from the road.

Manitoba is also accelerating its R&D efforts in biofuels. It is exploring the use of wheat varieties, such as winter wheat, which can yield 50% more while reducing inputs. This, in turn, can enhance returns to growers, and raise the 50% GHG reduction from ethanol. A second area of research concerns the potential to supply DDG to the hog industry, offering additional local markets for this co-product, plus benefits to Manitoba's hog producers. And third, Manitoba is exploring the potential of R&D to improve production efficiency which could enable ethanol producers to replace expensive natural gas for drying purposes.

Increased ethanol production will also be needed to meet the demand coming from the rising sales of flexi-fuel vehicles (FFVs) – vehicles designed to take up to 85% ethanol. There are already four million FFVs on North American roads, with the Ford Taurus and Explorer about to be joined by the Suburban, Yukon, Sierra and other GM models. Since more FFV models are on the road every year, the option for drivers to obtain 85% of their fuel from a renewable, low-CO_2, locally made fuel is expanding.

■ Geothermal Heat Pumps and Energy Efficiency

More than 500,000 geothermal ground-source heat pumps (or "earth energy" systems) have already been installed in Canadian and U.S. homes to provide heating and cooling. Another 400,000 are operating in Europe.

Geothermal systems draw their energy from the earth, utilizing the difference between air temperatures and more stable temperatures (around 10°C) in the earth (or water), 5 to 10 metres down. In winter, these systems bring the earth's warmth up into a building, concentrate it, and distribute it using heat pumps and ventilation systems. In summer, they work in reverse, extracting heat from inside to be discharged into the cooler earth. The earth itself supplies the renewable thermal energy, and the systems run with almost no pollution or GHG emissions.

However, partially because geothermal units do not visibly "produce" energy, they are often overlooked when discussion turns to "renewable" energy. This invisibility makes it perhaps even more surprising that geothermal heat pumps – one of the so-called "emerging" renewable energy sources – already turn out to be the lowest-cost method of heating and cooling most buildings today. For instance, the U.S. Environmental Protection Agency (EPA) states that geothermal is "the most energy-efficient, environmentally friendly, and cost-effective heating and

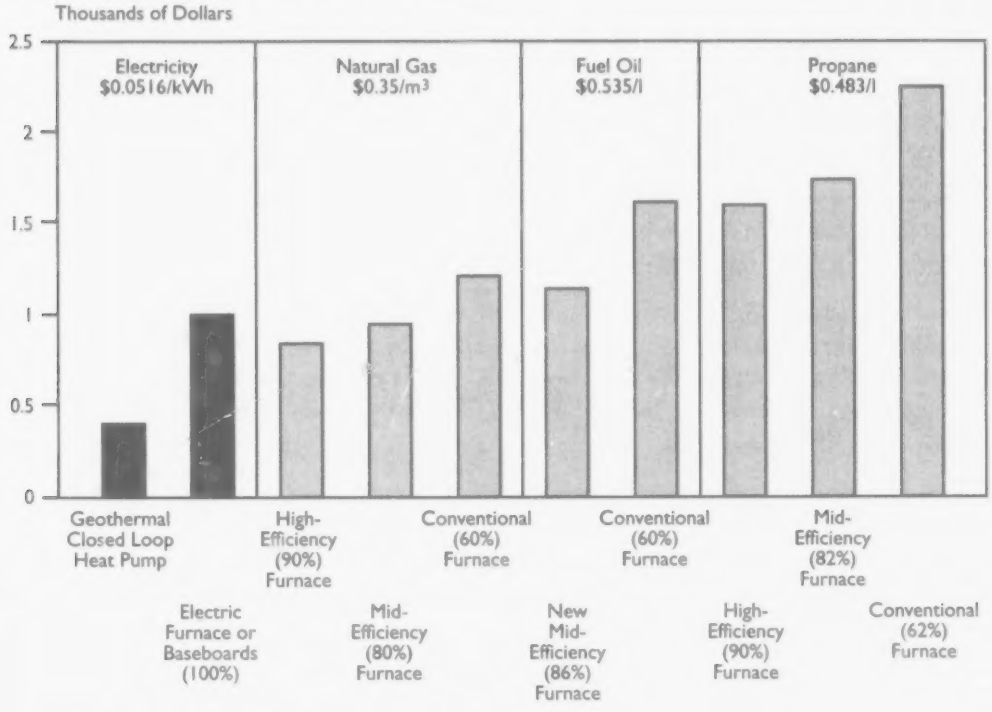
cooling technology available today..." Even compared to the best gas technology, the EPA found geothermal performed 36% to 43% better.

In Manitoba, with its low electricity costs, Manitoba Hydro found that geothermal heat pumps can still reduce annual heating bills by $400 to $800 compared with natural gas; by $600 compared with all-electric heating; and by $700 to $1,800 compared with heating oil and propane. The financial benefits to homeowners concerned about high or volatile heating bills are especially pronounced, as geothermal provides much greater predictability and stability of energy bills.

For Manitoba Hydro, there are additional benefits from expanding geothermal installations.

- Electrical energy "freed up" by geothermal can be resold at higher prices for export.
- Geothermal usage can reduce Manitoba Hydro's winter and summer peak loads.
- Additional diversity is added to a 95% hydro-based system.
- Geothermal can be added incrementally, and rapidly.
- On the gas side, ratepayers may be able to avoid the costly extension of gas infrastructure into less populated areas.

Home Heating - Total Annual Costs



Source: Manitoba Hydro

As a result, Manitoba Hydro has increased its marketing and communications support for geothermal, added incentives and on-bill financing for residential purchasers, and increased the training and certification of new installers. The Province has negotiated federal incentives for homes converting to geothermal.

The Manitoba geothermal industry last year achieved a 40% growth rate. Manitoba is now first in Canada in total installations of geothermal, representing 30% of total new Canadian installations last year.

Geothermal units are also being installed widely in commercial buildings, arenas, schools and other public buildings. The award-winning Manitoba company, Ice Kube Heating and Cooling, has installed its customized geothermal designs in arenas across North America.

The most cost-effective stage at which to install geothermal units is when the buildings are first being constructed. For instance, 95% of all new homes built in Sweden have geothermal systems installed at that stage. In Manitoba, a Wawanesa development has prepared 11 lots with geothermal loops, at an up-front cost of $4,000 per loop, so that geothermal can be installed from the start. In Winnipeg, the Waverley West development is intended to have geothermal installed for every home – not the first, but the largest such 100% geothermal housing development in Canada – with the intention of eliminating natural gas-fired CO_2 emissions (and price volatility) from the start.

Beyond lower bills and systems benefits to Manitoba Hydro, geothermal expansion offers three additional gains. First, according to Manitoba Hydro's calculations, each geothermal home reduces CO_2 by approximately 10 tonnes and each commercial unit by 50 tonnes. Second, each 1,000 units installed will produce $15 million in construction-related activity and approximately 150 jobs. Third, every 1,000 units will reduce imported natural gas purchases by $1 million each year, to be respent in the Manitoba economy.

Improving energy efficiency and energy intensity has been a priority in Manitoba for decades. It is estimated that the 25% improvement over the past 25 years saves Manitobans $700 million annually. However, Manitobans still spend $1.4 billion on electricity and natural gas, of which $400 million flows directly out of the province for natural gas alone. The market for natural gas is volatile, and costs have risen by $200 million in recent years; so Manitoba has dramatically stepped up its efficiency efforts.

Most visibly, efficiency standards for Manitoba's new commercial and public buildings have been raised. Leading examples of this trend include the new Red River College campus, the Mountain Equipment Co-op site, and the 20-storey solar wall installed at the Smith Street seniors' residence. And the new Manitoba Hydro head office building will become a signature building for Manitoba and a national leader in energy efficiency.

Manitoba homeowners have accelerated their energy-efficient renovations following a series of incentives put in place since 2001. The federal government responded to provincial urging by creating a Home EnerGuide incentive worth up to $600 to $1,000 per household, and thousands of Manitobans have already taken the first step by obtaining a home assessment. Manitoba Hydro's enhanced Power Smart residential program has generated $40 million in loans for home

renovations to date, triggering 700 person-years of employment in a labour-intensive sector with strong linkages across the Manitoba economy (e.g. to suppliers of high-efficiency windows, etc.).

In order to accelerate efficiency efforts across Manitoba, and to ensure that savings are captured across all resources – electricity, gas, oil and propane, water, waste and transport – "Efficiency Manitoba" was announced last December. This independent agency, building on the success of Manitoba Hydro's Power Smart program, is designed to cut bills for electricity and all other fuels and resources; to expand activity to rectify increasingly costly efficiency "gaps" in such areas as natural gas, and water and sewer; to use a customized, community-based approach rather than a one-size-fits-all approach; to lever in additional federal funding; and to defer or eliminate the need for expensive new infrastructure expansion (such as sewer and water).

Efficiency Manitoba will allow a faster, one-stop response to the rising number and range of opportunities being identified by Manitobans to reach greater efficiency.

- Manitoba teachers, parents and students want to reduce electricity and gas use at their schools, reduce water use, increase walk-to-school projects, boost recycling, and green their schoolyards.
- Owners of gas-heated homes facing high and volatile gas prices want to access efficiency measures, furnace conversion and geothermal options – and the ability to obtain the kind of incentives and supports already available to electrically heated homes.
- Manitobans building new homes, offices and public buildings want to build in long-term, sustainable savings in all their resources and all their utility and input bills, a task which requires specialized assistance and support, as well as improved codes and standards.
- Manitoba's diverse communities want to implement their own ideas on how best to boost efficiency and keep dollars circulating locally, working at one table with all partners to design and rollout a customized, community-based efficiency effort.

For the economy, a 10% to 20% increase in the efficiency with which we use electricity and natural gas could translate into savings of $140-$280 million every year – another major economic opportunity for Manitoba.

■ Hydrogen, Fuel Cells and Hybrids

Hydrogen and fuel cells have become a major focus of global R&D, with Canada, the U.S., the EU, and Japan all racing to develop these opportunities. That companies such as Ford and GM, Shell and BP, Toyota and Honda are joining in new ventures with fuel-cell innovators (including Canadian firms such as Ballard, Stuart and Hydrogenics) is less a recognition of the existing $1 billion in fuel-cell activity, than a reflection of future market projections of $15-$150 billion.

Manitoba's April 2003 "Preliminary Hydrogen Opportunities Report," outlined specific areas in which Manitoba had a competitive advantage. Since then, Manitoba has:

- partnered in an $8 million project that will develop and demonstrate the world's most efficient fuel-cell bus, using New Flyer's most advanced "Glider" chassis, drawing on fuel cells made by Hydrogenics, and combining the fuel-cell engine with a hybrid electric motor;

- worked with Manitoba Hydro to install a commercial electrolysis unit at its Dorsey Converter Station, a project which is already cost-effective, since it replaces external purchases of fossil-fuel derived hydrogen, and generates hydrogen on site;
- signed a memorandum of understanding on hydrogen with Iceland in September 2003, knitting together Manitoba's unique ties to a nation widely identified as a world leader in hydrogen development; and
- completed studies into a proposed Hydrogen Research Centre of Expertise, capable of drawing together Manitoba expertise in the private sector, university research, and the specialist knowledge and equipment of AECL at Pinawa.

While most public attention has been drawn to fuel cells, they remain just part of a much larger movement toward hydrogen-based systems. And although hydrogen itself must be recognized as a longer-term energy solution, it is here that Manitoba has significant advantages.

- If hydrogen is to be derived from clean, low-CO_2 sources, then electrolysis from clean, low-cost electricity will be viable in Manitoba before almost anywhere else on earth. For example, it is estimated that in coming decades, a complete conversion to fuel-cell vehicles in Manitoba would theoretically only require the electricity equivalent of a hydro project the size of Conawapa (1,200 MW) to offer Manitoba complete energy self-sufficiency for vehicle fuels.
- Manitoba has enormous biomass and bioenergy sources (such as ethanol) which themselves can be used to generate hydrogen for fuel cells.
- Manitoba is already the bus manufacturing centre of North America. Transit buses, in particular, have been identified as one of the likely key early adoption niches for hydrogen-fuelled vehicles, using fuel cells or hydrogen-capable internal combustion engines. Over the next decade, hydrogen power could well penetrate 10% of the North American transit bus market, and our bus manufacturers would be well-positioned to lead such a transition.

Another vehicle-related opportunity for our economy is the rapid growth in hybrid electric vehicles. The first Toyota Prius hybrid appeared in North America only in 2001; by 2004, it had been named "Car of the Year" by Motor Trends. Automakers now plan at least 17 hybrid models within three years – including a hybrid Civic, Accord, Prius and Camry, as well as a hybrid Lexus, Ford and Saturn SUV. Annual sales are projected by J.D. Power and Associates at 500,000 within four years, and 900,000 within six years. Toyota aims to sell two million hybrids annually within a decade.

The great advantage of hybrids is that they can reduce fuel usage (and CO_2 emissions) by 30% to 60% (and other air pollutants by 75% to 95%) without sacrificing the performance of the vehicle or the convenience of the user. As the cost of hybrids declines and their performance continues to improve, it is entirely possible that vehicle fuel usage can be cut in half. In Manitoba's case, this would mean a potential reduction worth $300 million each year, and a reduction of CO_2 emissions totalling 1.5 million tonnes.

An intriguing possible future step for hybrid electric vehicles (HEVs) has been outlined by the Electric Power Research Institute (EPRI): expanding the capability of the hybrid electric motor

side by adding a "plug-in" capability. This would produce a vehicle which could cut gasoline usage by as much as 60% to 85%. As EPRI notes, the plug-in hybrid (PHEV) is "the logical next member of the family of hybrid vehicles" and that "with the possible exception of the batteries, PHEVs will require only evolutionary engineering advances" to meet technical requirements.

Assuming remaining battery-related issues are overcome (and this is a major challenge), Manitoba would have some real advantages in advancing the testing and rollout of PHEVs on a large scale.

- Consumers in many other regions physically cannot "plug in" their cars and are not accustomed to do so. Most Manitobans, on the other hand, have easy access to an electrical outlet for their cars, and are used to plugging them in during winter.
- Manitobans can access electrical power at very low rates – power which also emits almost no CO_2 during generation.
- Manitoba can offer car makers a test climate which presents extreme winter cold, high summer temperatures, city driving, and rural travel.

While PHEVs are still in the future, they offer another avenue for replacing imported, fossil-fuel-based energy resources with domestic renewable energy forms. While numerous combinations of these energy sources, carriers and technologies are possible – standard hybrids with E-85 FFV chips, plug-in hybrids with electricity from renewable sources, fuel cells using ethanol coupled with a hybrid – Manitoba is now well-positioned to take advantage of any such opportunities.

■ Summary – Running a Clean Energy Economy... and a Carbon Surplus

This survey of Manitoba's clean energy opportunities has outlined some of the breadth and scale of activity and potential in these fields. The most obvious opportunities for Manitoba include the potential to trigger $10 to $15 billion in new investment, and more than 100,000 person-years of work. But there are additional features of these projects which can also be identified.

- Provincewide geographic coverage: These projects offer employment and equity opportunities to Aboriginal and Northern Manitobans; to rural families and communities involved in wind farms and in production of ethanol, biogas and geothermal; and to residents of Winnipeg involved in supplying research, engineering and other services to these new projects, as well as in developing and renovating more efficient buildings and housing.
- Greater self-reliance and stability: For those concerned with volatile monthly bills, these projects offer an array of tools to bring more stability and control to their finances. Commuters can cut their gasoline bills in half. Farmers can add a new income stream from "harvesting the wind," can diversify their markets for grain, and reduce the risks associated with manure management, while creating their own on-farm biogas energy. Businesses and schools can reduce their monthly energy, water, waste and transport bills. Those looking to invest for their retirement can take advantage of new local growth opportunities – in ethanol, wind power, geothermal and others. And overall, Manitoba can significantly reduce its imports of volatile-priced products, while increasing its exports of premium-priced products.

- Diverse and exciting opportunities for youth: Manitoba communities and their young people have long had to fight against the pull of bigger cities outside the province. Now clean energy offers young Manitobans a remarkable range of opportunities in these new industries.
- If you like working 300 feet up, are technically adept, don't mind cold weather, and if you would enjoy a chance to maintain a dozen turbines worth $3 million each – then becoming a wind technician, or "wind walker" is a great choice.
- If you like working downtown, are interested in design, engineering or architecture, and want to push the envelope developing world-class, energy-efficient, environmentally friendly buildings, then Winnipeg's new commercial and public buildings are for you.
- If you like working in labs or crunching data, you can choose between developing new high-starch wheat varieties or new enzymes for ethanol production, mapping wind data or calculating the advantages of dispersing wind farms across the province, and designing systems to support the rollout of PHEVs or E-85 FFV vehicles.
- If you want to work in construction, you can choose to build the new commercial projects in Winnipeg, renovate the homes and schools of your local neighbourhood, bring new wind farms to rural Manitoba, or lend a hand on the new generation hydro projects in the North.
- Partnerships: New clean energy projects worldwide offer a much wider range of partnerships than earlier energy-related industrial developments. For instance, Manitoba's new generation hydro projects will draw on private sector suppliers and services, while offering strong equity, employment and business partnership opportunities for Aboriginals. Modern ethanol plants can be owned by farmer co-ops, sell shares to venture capital or RRSP funds, be privately owned, or be community owned. Wind farms can be owned publicly, privately, by communities, farmers, pension or venture capital funds.

Finally, the potential impact of these projects fits well with the objective of reducing CO_2. From 1990 to 2002, Manitoba's emissions of CO_2 and other greenhouse gases were kept stable at 20 million tonnes (MT). However, during that time, our electricity exports soared – largely from Limestone – allowing an ongoing 10 MT of CO_2 reduction by our coal-burning trade partners. In addition, the federal government credits Manitoba with expanding its agricultural and forestry "carbon sinks" by 5.5 MT during that time. This all adds up to a "net" Manitoba emission level of around 5 MT of CO_2 today.

The projects discussed above (plus some not discussed in this Appendix, such as carbon sequestration, improvements in gas pipelines, etc.) offer the potential for 20-25 MTs of new CO_2 reductions by Manitoba (for instance, Conawapa alone could offer 7 MTs).

This mathematical result is unusual, and quite spectacular in global terms. The Kyoto Protocol requires 6% cuts from most nations, while the world's leading nations (the U.K. and Germany) are aiming for CO_2 reductions of 15% to 20% by 2012. Beyond that, the world's leading think-tanks and scientific groups have put forward plans to reduce CO_2 emissions by 50%, but the earliest this can be achieved is 2050. Leading corporations, such as TransAlta, are proposing to become "net zero CO_2" firms, not solely by reducing their own emissions, but also by planting trees, and particularly by purchasing CO_2 credits or offsets from others.

Manitoba, however, has it entirely within its grasp, not just to become the first jurisdiction to reach such a "net zero CO_2" position (e.g. by building Conawapa) – but to become the world's first "net carbon-positive" region. With a net carbon deficit today of only around 5 MTs, the development of even a subset of the projects above – e.g. the Ontario power sale, three new wind farms, 140 million litres of ethanol, methane capture at Brady landfill, and limited market sales of hybrids and geothermal systems – could well see Manitoba reach a +5 MT or even a +10 MT carbon budget. This is an outcome with which many innovative industries and companies (such as those discussed above) would wish to be associated.

This would mean Manitoba had achieved the world's first "carbon surplus," rather than adding yet more megatonnes to the world's "carbon deficit." This would be an extraordinary environmental gift for our children, and perhaps a suitable one as they enter what could be Manitoba's booming clean energy economy.

FOR MORE INFORMATION, CONTACT:

Shaun Loney
Director, Energy Policy
Energy Development Initiative
Department of Energy, Science, and Technology
204-945-5801
sloney@gov.mb.ca

www.manitobaenergy.ca

Budget Paper B

FINANCIAL REVIEW AND STATISTICS

FINANCIAL REVIEW AND STATISTICS

Contents

Introduction 1

Section 1 – Budgetary Estimates under Balanced Budget Legislation

Overview 3
2003/04 Results 4
2004/05 Budget 7
Provincial Revenue, 2004/05, Major Sources 8
Revenue by Source, 2004/05 and 2003/04 8
Revenue Estimates 9
Provincial Operating Expenditure, 2004/05, Major Categories 10
Program Expenditure Estimates, 2004/05 and 2003/04 10
Operating Expenditure Estimates 11
Capital Investment, 2004/05 12
Capital Grants and Costs Related to Capital Assets, 2004/05 12
The Medium-Term Fiscal Framework 13
Special Funds Balances 15
Fiscal Stabilization Fund 15
Debt Retirement Fund 16
Pension Assets Fund 17

Section 2 – Report and Summary Budget on Consolidated Operations and Debt

Report on Consolidated Operations and Summary Budget Forecast 18
Loan Act Requirements 22
Borrowing Requirements 23
Statement of Valuation and Purpose of Direct and Guaranteed Debt Outstanding 24
Direct and Guaranteed Debt 25

Section 3 – Financial Statistics and Comparative Information

Manitoba Financial Statistics, Ten-Year Summary 26
Manitoba's Relative Position Among Provinces 30

Section 4 – Improving Transparency and Accountability

Improving Transparency and Accountability 32

Introduction

This Budget Paper reports on financial results of Government operations and its financial position, as well as providing detail with respect to the Government's Budget for the coming fiscal year and for the medium term.

This Budget Paper is divided into four sections.

Section 1 provides information specifically required by the Legislature. This includes estimates of operating expenditure, operating revenue and balances under the balanced budget legislation, as passed by the Legislature in 1995 and strengthened in 2000. These Budget plans provide for the core functions of the Government under rules set out in that legislation. Section 1 sets out the Medium-Term Fiscal Framework and a summary of the Estimates of Expenditure and Revenue that are voted upon in the Legislature. The balanced budget legislation provides specific mechanisms for the stabilization of Provincial finances and repayment of debt through the Debt Retirement Fund.

Section 2 provides Summary Budget statements that incorporate results and plans for the consolidated operations of the Government, including the operations of Crown corporations and other Government entities, as well as changes in pension liabilities. Information is also provided on the Government's general purpose and guaranteed debt, refunding and other borrowing plans. These statements meet the standard of inclusion under generally accepted accounting principles of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. They differ from the statements in Section 1 for a number of reasons. Because the results of Crown enterprises and the valuation of pension liabilities may be quite volatile on a year-to-year basis, the Legislature has determined that they should not fall under the provisions of the balanced budget act, which requires a balance be achieved on an annual basis. However, since 2000, the Government has taken new measures to address the pension liability within *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act.* The provisions for fiscal stabilization and debt repayment are mechanisms which cannot be captured under the rules for the preparation of summary financial statements.

The Government takes full responsibility for the efficient and sound financial operation of the entire Government reporting entity as reported in the summary financial statements. It is a key commitment of this Government that Manitoba Hydro be retained as a Crown corporation, and that it continue to provide the lowest-cost energy to Manitoba individuals and industry, over the long run. Short-term fluctuations in revenues should not be the basis for decisions either on the operations of Hydro, or of the Government reporting entity as a whole.

Section 3 provides additional financial information. A ten-year summary of financial results includes ratios to gross domestic product and per capita information. Comparisons with other jurisdictions are provided with respect to health and other program expenditures, debt servicing costs and debt.

Section 4 provides a summary of progress made by this Government in its budgeting and reporting, in order to provide greater transparency and to meet the standards of reporting advanced by the PSAB, including new measures to be reflected in the Budget and accounts for 2004/05.

The Government provides this information in order to be fully transparent concerning its operations, while meeting specific requirements of the Provincial Legislature and of the legislation it has passed. The statements have been evolving toward full compliance with generally accepted accounting principles as outlined by PSAB. PSAB sets generally accepted accounting principles and current reporting standards for governments, some of which have changed over time.

The Budget and Financial Statements are not the only source of information provided to fulfill these objectives. In this regard, the PSAB notes:

> *Summary financial statements include the financial position and results of all the organizations a government controls. Because they are summary documents, they cannot be expected to fulfill all of the users' needs served by a government's financial reporting system. To do that, governments produce many kinds of other financial reports in addition to the financial statements. For example, individual entities prepare reports to comply with certain legislation; there are reports to measure and report on the performance of individual programs and activities; and there are special purpose reports designed to meet particular needs of specific users. In addition, governments set out their fiscal plan in budgets and estimates of expenses or expenditures. Certain information is better provided, or can only be provided, by financial reports other than summary financial statements. ("20 Questions About Government Financial Reporting". PSAB; CICA; 2003 p12. http://www.cica.ca/index.cfm/ci_id/225/la_id/1.htm)*

Interested parties are encouraged to access all the reports of the Government of Manitoba which are provided for the information of the Legislature and the public. Links may be found on the internet at http://www.gov.mb.ca/finance.

Overview

Budget 2004 presents the Government's plans to maintain a steady course which addresses the priority concerns of Manitobans. The Budget is balanced under *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act.* The Budget was prepared in a difficult fiscal environment, as the Province recovers from a number of events which occurred last year.

A sharp reduction in expected Equalization payments occurred at the end of the fiscal year, arising from relatively poor economic performance in much of Canada, and especially in Ontario, which lowered the standard on which entitlements are based. On the positive side, calculations of federal transfers were adjusted, based on 2001 Census results, to include all people for whom the Province had borne the cost of providing services in previous years. Manitoba was one of the few provinces which had higher population growth than previously estimated.

2003/04 fiscal results were also affected by:

- the value of the Canadian dollar, which rose sharply against that of the U.S., our major trading partner, and which resulted in slower economic and revenue growth;
- drought, which reduced water flows and impacted provincial revenues from Manitoba Hydro;
- the BSE crisis, which not only reduced farm receipts, but also required an unforeseen $46 million injection to provide relief to producers; and
- one of the worst forest fire seasons on record, which required an expenditure of $29 million above that budgeted for forest fire suppression.

The result of the BSE and forest fire situations was that the applicable disaster provisions of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act* were used to ensure that these crises could be addressed without jeopardizing essential public services.

Looking ahead, Budget 2004 provides the resources to maintain and improve services to Manitobans. It plans no draw on the Fiscal Stabilization Fund. Major personal or corporation income taxes continue to be reduced. A number of measures are taken to control costs, and there are some other fee and selective tax increases. Health, K to Senior 4 and post-secondary education and training, and family services and housing will receive increases which total $206 million. Part of this additional funding for these priority programs, and all increases in other department expenditures, will be financed from savings and repriorization in other programs.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2003/04

	2003/04 3Q Forecast	2003/04 Budget	Increase/(Decrease) From Budget to Forecast	
	(Millions of Dollars)		(Millions of Dollars)	%
Revenue				
Own-Source	4,774	4,806	(32)	(0.7)
Federal Transfers	2,517	2,508	9	0.4
Total Revenue	7,291	7,314	(23)	(0.3)
Expenditure				
Program	7,093	6,925	168	2.4
Debt Servicing	315	331	(16)	(4.8)
Total Expenditure	7,408	7,256	152	2.1
Net Revenue/(Expenditure)	(117)	58	(175)	
Adjustment for Disaster-related Expenditure	75	0	75	
Interfund Transfers				
Debt/Pension Repayment	(96)	(96)	0	
Fiscal Stabilization Fund	143	48	95	
Balance under Balanced Budget Legislation	5	10	(5)	

■ 2003/04 RESULTS

2003/04 forecast results presented above are based on the Third Quarter Report.

The 2003 Budget was prepared without the knowledge that the Province and Canada would face drought, the BSE crisis, an exceptionally large number of forest fires, a sharp rise in the value of the Canadian dollar and other adverse events that would affect the economy. The short-term challenges of 2003/04 have affected both revenue and expenditure. However, these challenges were met without major disruptions in Manitoba. The Province has been able to maintain services. Furthermore, the Province will be in compliance with the balanced budget act. A positive balance of $5 million is projected in the Third Quarter Report. The $96 million payment required under the act for repayment of debt and reduction of pension liabilities will be made. The exclusion of some disaster expenditures and the draw on the Fiscal Stabilization Fund are in keeping with the

letter and spirit of the balanced budget act. This act specifically addresses the goal of maintaining stability and sustainability in government operations over the long term. Maintaining programs despite adverse circumstances is in our long-term interest.

Revenue

As noted in the Third Quarter Report, 2003/04 revenue is now projected to be $23 million below the 2003 Budget projection. Several sources of provincial own-source revenue are projected to be higher than budgeted, including personal and corporation income taxes, the retail sales tax and mining tax. However, lower revenue from Manitoba Hydro ($52 million) and from Manitoba Lotteries Corporation ($23 million) more than offset the revenue gains from other sources. Transfer revenue from the federal government will be $9 million above the 2003 Budget estimate. Higher than projected population from the 2001 Census increased federal estimates of Manitoba's transfer revenue in the autumn of 2003, but were largely offset by entitlement reductions due to the weaker economic performance of Ontario and other provinces.

Expenditure

The principal changes from budget were the additional funds required to provide support to cattle producers to mitigate the devastating effects of the BSE crisis, and to fund the exceptional costs of fighting forest fires. These two events required expenditure of $75 million above budget. A further $37 million was required for health care expenses, in addition to the provision in the 2003 Budget. Total program expenditure is projected in the Third Quarter Report to be $168 million over Budget 2003. Public debt costs will be $16 million below budgeted expenditure.

Net Revenue/(Expenditure)

Net expenditure, resulting from lower than budgeted revenue and higher than budgeted expenditure including extraordinary expenditure relating to disasters, will be $117 million, as compared with budgeted net revenue of $58 million.

Balance under Balanced Budget Legislation

The net result for the 2003/04 fiscal year will be a positive balance of $5 million under the balanced budget act. $96 million will be provided for repayment of general purpose debt and pension liability retirement. In keeping with the Fiscal Stabilization Fund's purpose of providing a cushion against unforeseen circumstances, a draw of $143 million will be made from the Fiscal Stabilization Fund.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2004/05 and 2003/04

	2004/05 Budget	2003/04 Forecast[1]	2003/04 Budget[1]	Increase/ (Decrease) from 2003/04 Forecast to 2004/05 Budget		Increase/ (Decrease) from 2003/04 Budget to 2004/05 Budget	
		(Millions of Dollars)		(Millions of Dollars)	%	(Millions of Dollars)	%
Revenue							
Own-Source	5,124	4,774	4,806	350	7.3	318	6.6
Federal Transfers	2,447	2,505	2,496	(58)	(2.3)	(49)	(2.0)
Total Revenue	7,571	7,279	7,302	292	4.0	269	3.7
Expenditure							
Program	7,233	7,135	7,037	98	1.4	196	2.8
Debt Servicing	239	256	271	(17)	(6.6)	(32)	(11.8)
Total Expenditure	7,472	7,391	7,308	81	1.1	164	2.2
Net Revenue/ (Expenditure)	99	(112)	(6)	211		105	
Adjustment for Disaster-related Expenditure	0	75	0	(75)		0	
Interfund Transfers							
Debt/Pension Repayment	(96)	(96)	(96)	0		0	
Fiscal Stabilization Fund	0	143	48	(143)		(48)	
Restatement Adjustment	0	(5)	64	5		(64)	
Balance under Balanced Budget Legislation	3	5	10	(2)		(7)	

Note 1: The 2003/04 financial information has been restated to be consistent with the 2004/05 Estimates structure. This includes adjustments pertaining to the Province's tangible capital asset accounting policy as outlined in Section 4 of this Paper. This will put Manitoba in full compliance with capital asset accounting practices as prescribed by PSAB. In addition, the restated 2003/04 Budget incorporates $68 million in expenditure voted in the Supplementary Estimates of Expenditure for Emergency Expenditure passed by Legislative Assembly in September 2003. This $68 million, when combined with the approximately $5 million in net fiscal impact of amortizing infrastructure capital assets, results in a restatement adjustment of $64 million.

	Adjustments (Millions of Dollars)
Net expenditure impact of amortizing infrastructure capital assets	(17)
Restatement of revenue as third-party recovery against infrastructure assets	12
Net 2003/04 fiscal impact of amortizing infrastructure capital assets	(5)
Allocation of interest costs related to the acquisition of infrastructure capital assets	
Operating	60
Public Debt Costs	(60)

2004/05 Budget

Revenue

Total revenue is projected to be up by 4.0%. Own-source revenue will grow by $350 million, reflecting increasing population, more jobs, growing incomes and expenditures of Manitobans, a rebound in water power rentals and increased corporation and mining tax, along with the decisions introduced in this Budget. Transfer revenue from the federal government is expected to decline by $58 million as compared to the amount received in 2003/04. The federal government did not extend the $2 billion in supplemental funding provided through the Canada Health and Social Transfer into 2004/05, reducing Manitoba's transfer revenue by $73 million. In total the federal government will provide $104 million less in permanent health care funding to Manitoba in 2004/05. The Equalization renewal proposal put forward by the federal government provides a very modest increase in Manitoba's entitlements for 2004/05 of under $10 million.

Expenditure

The Budget forecast is based on expectations of a normal year with respect to disaster-related expenditure. **Budgetary program expenditure is $7,233 million, an increase of 1.4% over 2003/04 projected expenditure.**

As noted, in accordance with revised accounting policy, amortization and interest costs associated with infrastructure assets will now be incorporated within departmental estimates. This will improve transparency and accountability with respect to the total cost of capital assets and is made in conjunction with our measures to comply with generally accepted accounting principles. General purpose public debt costs included under Statutory Appropriations will fall by 6.6% to $239 million.

Total budgetary expenditure is $7,472 million, an increase of 1.1% over 2003/04 projected expenditure.

Net Revenue

Growing revenue and constrained expenditure will result in net revenue of $99 million, an improvement of $211 million from the net expenditure required in 2003/04.

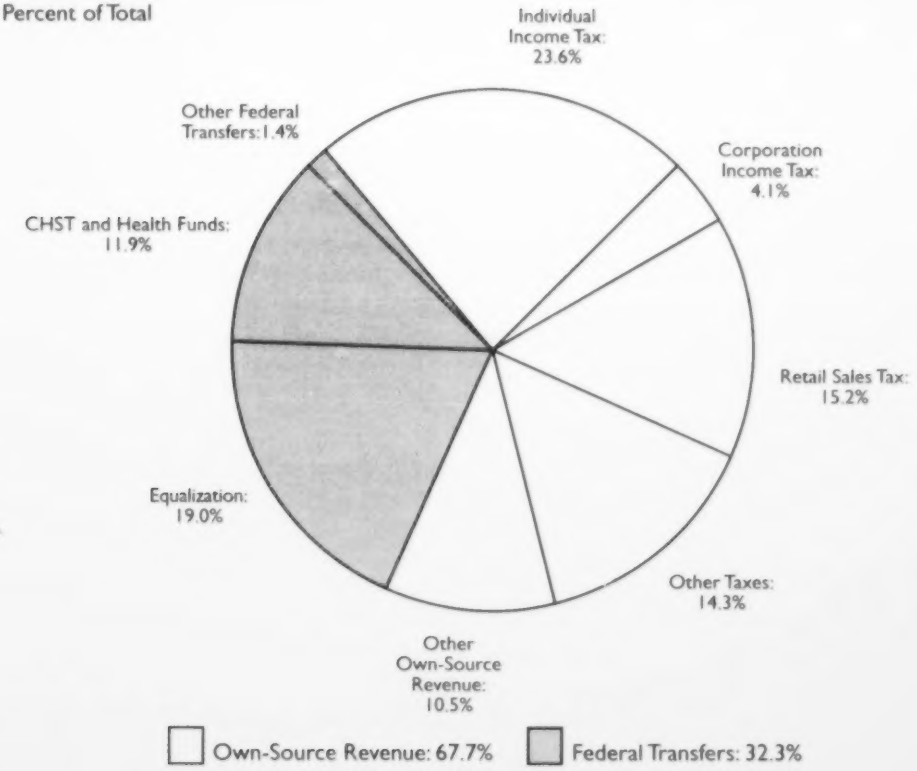
Balance under Balanced Budget Legislation

The 2004 Budget provides a further $96 million to be applied against general purpose debt and pension liabilities. The Debt Retirement Fund Allocation Committee has recommended that $75 million be allocated to address pension liabilities. **The projected balance under balanced budget legislation is $3 million, with no draw from the Fiscal Stabilization Fund for fiscal year 2004/05.**

Provincial Revenue, 2004/05

Major Sources

Percent of Total



Revenue by Source

2004/05 and 2003/04

	2004/05 Budget	2003/04 Forecast	Change 2004/05 from 2003/04 Forecast
	(Millions of Dollars)		(Millions of Dollars)
Total Taxation	4,339	4,068	271
Other Revenue	785	706	79
Own-Source Revenue	5,124	4,774	350
Government of Canada	2,447	2,505	(58)
Total Revenue	**7,571**	**7,279**	**292**

Revenue Estimates

(Thousands of Dollars)

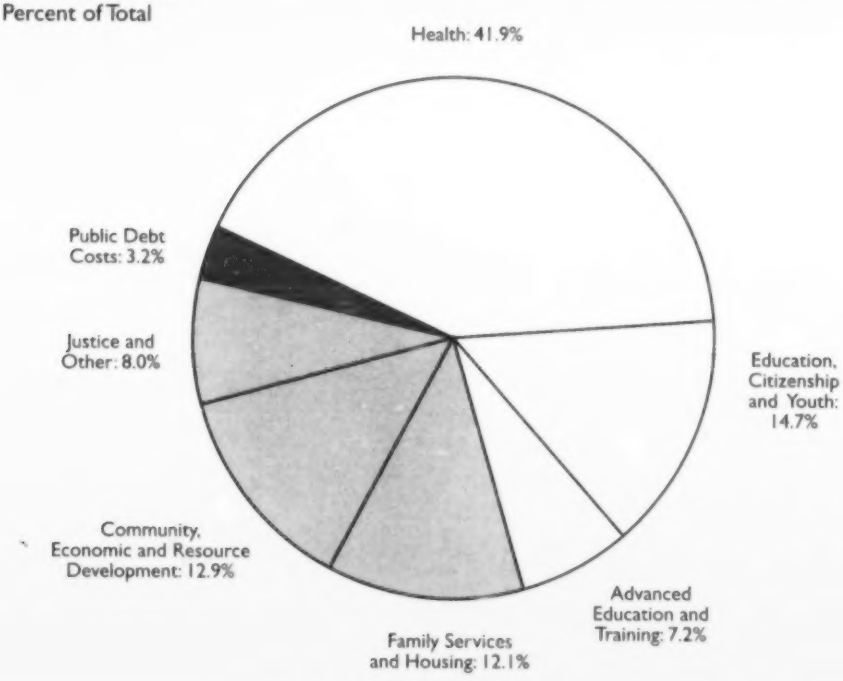
	2004/05 Estimate	2003/04 Forecast[1]	2003/04 Budget[1]	Percent Change 2004/05 from 2003/04 Forecast	Percent Change 2004/05 from 2003/04 Budget
■ Taxation Revenue					
Income Taxes					
• Individual Income Tax	1,788,250	1,715,300	1,703,000		
• Corporation Income Tax	313,000	289,000	270,200		
Subtotal	2,101,250	2,004,300	1,973,200		
Taxes, Levies and Collections					
• Corporation Capital Tax	153,500	138,000	148,300		
• Gasoline Tax	157,700	161,900	161,900		
• Insurance Corporations Tax	52,500	49,934	44,974		
• Land Transfer Tax	21,000	17,427	14,100		
• Levy for Health and Education	280,800	270,000	263,400		
• Mining Tax	57,230	27,160	17,000		
• Motive Fuel Tax	77,600	69,400	69,400		
• Oil and Natural Gas Tax	2,277	2,953	2,852		
• Retail Sales Tax	1,154,300	1,062,800	1,057,800		
• Revenue Act, 1964, Part I	73,400	71,000	69,000		
• Tobacco Tax	203,700	190,400	190,400		
• Environmental Protection Tax	3,200	3,200	3,000		
• Other Taxes	72	72	72		
Subtotal	2,237,279	2,064,246	2,042,198		
Total Taxation Revenue	**4,338,529**	**4,068,546**	**4,015,398**	**6.6**	**8.0**
■ Other Revenue					
Fees and Other Revenue					
• Fines and Costs and Other Legal	34,757	26,159	22,533		
• Minerals and Petroleum	5,431	5,504	5,563		
• Automobile and Motor Carrier Licences and Fees	85,853	74,384	74,556		
• Drivers' Licences	17,916	14,266	14,416		
• Water Power Rentals	100,000	75,000	93,784		
• Parks, Forestry and Other Conservation	29,307	28,524	25,809		
• All Other Manitoba Collections	76,072	58,658	56,724		
Subtotal	349,336	282,495	293,385		
Crown Corporations/Entities					
• Manitoba Lotteries Corporation	232,000	236,000	259,500		
• Manitoba Liquor Control Commission	187,000	175,000	173,300		
• Manitoba Hydro	0	0	52,000		
• Other	16,525	12,350	12,350		
Subtotal	435,525	423,350	497,150		
Total Other Revenue	**784,861**	**705,845**	**790,535**	**11.2**	**(0.7)**
■ Federal Transfers					
• Equalization	1,435,800	1,414,200	1,387,900		
• Canada Health and Social Transfers (CHST)	804,800	752,000	763,500		
• Canada Health and Social Transfer Supplement (CHSTS)	0	163,600	163,600		
• Health Reform Fund	55,000	36,400	36,400		
• Other Health Funds	42,100	29,085	32,400		
• Other Transfers	109,483	109,814	112,400		
Total Federal Transfers	**2,447,183**	**2,505,099**	**2,496,200**	**(2.3)**	**(2.0)**
■ Total Budgetary Revenue	**7,570,573**	**7,279,490**	**7,302,133**	**4.0**	**3.7**

Note 1: The 2003/04 information has been adjusted to be consistent with the 2004/05 Estimates structure.

Provincial Operating Expenditure, 2004/05

Major Categories

Percent of Total



Program Expenditure Estimates

2004/05 and 2003/04

	2004/05 Budget	2003/04 Forecast[1]	Change 2004/05 from 2003/04 Forecast
	(Millions of Dollars)		(Millions of Dollars)
Health	3,161	3,045	116
Advanced Education and Training	542	525	17
Education, Citizenship and Youth	1,106	1,069	37
Family Services and Housing	913	877	36
Other Departments	1,581	1,650	(69)
Total Program Expenditure Estimates	**7,303**	**7,166**	**137**

Note 1: The 2003/04 information has been adjusted to be consistent with the 2004/05 Estimates structure.

Operating Expenditure Estimates

(Thousands of Dollars)

	2004/05 Estimate	2003/04 Forecast[1]	2003/04 Budget[1]	Percent Change 2004/05 from 2003/04 Forecast	Percent Change 2004/05 from 2003/04 Budget
Health	**3,161,289**	**3,045,073**	**3,005,659**	**3.8 %**	**5.2**
Education					
• Advanced Education and Training	541,921	525,183	527,008		
• Education, Citizenship and Youth	1,106,150	1,068,631	1,065,692		
Total Education	**1,648,071**	**1,593,814**	**1,592,700**	**3.4 %**	**3.5**
Family Services and Housing	**912,782**	**876,569**	**873,939**	**4.1 %**	**4.4**
Community, Economic and Resource Development					
• Aboriginal and Northern Affairs	29,189	28,520	28,945		
• Agriculture, Food and Rural Initiatives	145,706	150,618	145,601		
• Conservation	105,509	105,448	106,592		
• Energy, Science and Technology	51,577	57,747	55,387		
• Industry, Economic Development and Mines	30,474	29,520	30,677		
• Intergovernmental Affairs and Trade	110,628	114,611	116,920		
• Transportation and Government Services	384,773	372,375	380,142		
• Water Stewardship	44,723	44,919	44,299		
• Enabling Appropriations	48,392	46,030	59,015		
- Canada-Manitoba Enabling Vote and SDIF					
• Other Appropriations	25,810	99,003	93,790		
Total Community, Economic and Resource Development	**976,781**	**1,048,791**	**1,061,368**	**(6.9)%**	**(8.0)**
Justice and Other Government					
• Legislative Assembly	24,095	32,242	23,642		
• Executive Council	3,063	3,082	3,003		
• Civil Service Commission	4,276	3,882	4,369		
• Culture, Heritage and Tourism	68,321	66,197	67,263		
• Employee Pensions and Other Costs	67,737	68,119	65,412		
• Finance	97,920	97,284	99,314		
• Healthy Child Manitoba	22,315	20,466	21,457		
• Justice	264,834	263,532	257,458		
• Labour and Immigration	29,139	28,779	28,435		
• Seniors Directorate	741	729	737		
• Sport	10,644	10,686	10,690		
• Enabling Appropriations					
- Internal Reform, JIF and Security	10,550	6,355	6,171		
Total Justice and Other Government	**603,635**	**601,353**	**587,951**	**0.4 %**	**2.7**
Total Program Expenditures	**7,302,558**	**7,165,600**	**7,121,617**	**1.9 %**	**2.5**
Public Debt Costs	**238,681**	**255,652**	**271,137**	**(6.6)%**	**(12.0)**
Total Expenditure Estimates	**7,541,239**	**7,421,252**	**7,392,754**	**1.6 %**	**2.0**
Less: Year-End Lapse and In-Year Savings	**(70,000)**	**(30,000)**	**(85,000)**		
Total Budgetary Expenditure	**7,471,239**	**7,391,252**	**7,307,754**	**1.1 %**	**2.2**

Note 1: The 2003/04 information has been adjusted to be consistent with the 2004/05 Estimates structure.

■ Capital Investment

Part B Capital Investment is required for the annual purchase or acquisition of tangible capital assets, such as buildings, machinery and equipment, furniture, and computers, which meet established guidelines for amortization (see Appendix B of the 2004/05 Estimates of Expenditure). Capital assets are amortized over their useful life and the amortization and interest costs are borne by departments that are responsible for each asset. In 2004/05, the Province's capital accounting policy has been changed to allow for capitalization of infrastructure, in accordance with the Canadian Institute of Chartered Accountants public sector accounting standards.

The costs of acquiring general assets as well as infrastructure assets are reflected in the annual operating fund estimates as Part B Capital Investment. The annual amortization and interest related to the past and current acquisitions are reflected in annual operating expenditures and recognized as costs related to capital assets.

Capital Investment, 2004/05

(Thousands of Dollars)

	2004/05 Budget	2003/04 Budget
General Assets		
Government Services Capital Projects	14,161	14,000
Transportation Equipment and Other Capital	12,198	13,440
Information Technology Projects		
eGovernment and Enterprise Technology Initiatives	13,780	18,590
Advanced Education and Training	3,120	-
Health	3,004	6,500
Family Services and Housing	1,800	2,200
Justice	1,350	1,000
Other Projects	4,556	1,465
Other Equipment and Buildings	1,031	805
	55,000	58,000
Infrastructure Assets		
Provincial Roads and Highways	78,918	68,469
Water Stewardship Projects	4,016	3,697
Parks and Other Conservation Projects	2,658	583
	85,592	72,749
Total Capital Investment	140,592	130,749

Capital Grants and Costs Related to Capital Assets, 2004/05

(Thousands of Dollars)

	2004/05 Budget	2003/04 Budget
Capital Grants	219,441	227,934
Infrastructure Assets	130,512	127,989
General Assets	55,271	51,716
	405,224	407,639

The Medium-Term Fiscal Framework

The fiscal prospects for Manitoba and most other provincial governments are such that the Province will face some serious challenges over the medium term. Beyond the current fiscal year, the Provincial Government will continue to balance the budget, begin to replenish the Fiscal Stabilization Fund and put health care and other priority social programs on a sustainable track. In regard to the latter, it is clear that a strengthened financial partnership with the federal government is needed (see Budget Paper C – Restoring Fiscal Balance).

Over the next three years, 2005/06 to 2007/08, revenue is projected to increase at an average annual rate of 3.6%, a rate that reflects solid economic growth and increased federal support for health care. First Ministers will be meeting this summer to discuss health care reform and a long-term plan for federal funding. The medium-term fiscal framework assumes that, at a minimum, the federal government will build the $2 billion additional CHST Supplement into the funding base as an ongoing commitment to health care beginning in 2005/06. Manitoba's share of this total would be $73 million per year.

Medium-Term Fiscal Framework

	2003/04[1]	2004/05	2005/06	2006/07	2007/08
			(Millions of Dollars)		
Revenue	7,279	7,571	7,849	8,051	8,408
Expenditure					
Program Expenditure	7,135	7,233	7,420	7,633	7,871
Public Debt Costs	256	239	275	293	293
Total	7,391	7,472	7,695	7,926	8,164
Net Revenue/(Expenditure)	(112)	99	154	125	244
Adjustments for Disaster-related Expenditure	75				
Interfund Transfers					
Debt Repayment	(96)	(96)	(110)	(110)	(110)
Fiscal Stabilization Fund	138	0	(34)	(5)	(124)
Balance under Balanced Budget Legislation	5	3	10	10	10

Note 1: 3Q Adjusted Forecast

The Medium-Term Fiscal Framework reflects current forecasts and assumptions. Should future circumstances depart from these, budget decisions will reflect the changes.

This revenue growth takes place against the backdrop of healthy economic growth. According to the February 2004 Conference Board Forecast, Manitoba's nominal Gross Domestic Product is expected to grow at an average annual rate of 4.2% over the next three years. Real Gross Domestic Product is expected to average about 2.6% over this period.

Program expenditure is targeted to increase at an average annual rate of 2.9% over the medium term – a rate that would effectively sustain key public services and provide for modest improvements in areas of greatest priority, such as infrastructure and health care.

General purpose debt will decline. However, public debt costs are expected to rise to $275 million in 2005/06, and to $293 million by 2006/07, reflecting an assumption of higher interest rates.

While the 2003 Budget anticipated a small draw on the Fiscal Stabilization Fund in 2004/05, the 2004 Budget will be balanced without any draw for this year. It is projected that net revenue growth will allow the Government to start replenishing the Fund.

Debt reduction and the retirement of pension liabilities will continue. Beginning in 2005/06, the allocation to the Debt Retirement Fund will accelerate to $110 million per year, in accordance with *The Balanced Budget, Debt Repayment and Taxpayer Accoutability Act.*

■ Special Funds Balances

Fiscal Stabilization Fund

In 2003/04, the draw from the Fiscal Stabilization Fund will be $143 million. The positive balance in the operating fund, projected at $5 million, is deposited in the Fiscal Stabilization Fund. The budgeted draw for 2004/05 is nil. The closing balance of the Fund is projected to be $106 million.

Fiscal Stabilization Fund
Revenue, Expenditure and Balance

Projection as at March 31, 2005 and March 31, 2004

	2004/05 Budget	2003/04 Forecast
	(Millions of Dollars)	
Fund Balance, Beginning of Year	101	236
Revenue		
Balance Under Balanced Budget Legislation	3	5
Interest	2	3
	5	8
Expenditure		
Transfer to Operating Fund	0	(143)
Fund Balance, End of Year	106	101

Debt Retirement Fund

In accordance with *The Balanced Budget, Debt Retirement and Taxpayer Accountability Act*, a $96 million deposit to the Debt Retirement Fund is required in each of 2003/04 and 2004/05.

The Fund earned $8 million in interest in 2003/04. For 2003/04, the Allocation Committee determined that the most cost-effective allocation was $75 million to pension liability, rather than the $48 million budgeted amount, and $21 million against general purpose debt. The Allocation Committee also has determined that, for the 2004/05 fiscal year, the allocation is $75 million to pension liability.

The debt retirement provisions of the Act require that at least once every five years, the Fund be collapsed and all amounts be allocated to the Province of Manitoba Sinking Fund (debt) or to the Pension Assets Fund. Therefore, $202 million has been applied against general purpose debt, comprised of the $181 million opening Fund balance plus $21 million from the allocation. The transfer to the Sinking Fund will occur in April 2004.

Debt Retirement
Revenue, Expenditure and Balance

Projection as at March 31, 2005 and March 31, 2004

	2004/05 Budget	2003/04 Forecast
	(Millions of Dollars)	
Fund Balance, Beginning of Year	181	152
Revenue		
Transfer from Operating Fund	96	96
Interest	0	8
	96	104
Expenditure		
Transfer to Sinking Fund	(202)	0
Transfer to Pension Assets Fund	(75)	(75)
Fund Balance, End of Year	0	181

Pension Assets Fund

The Debt Retirement Fund Allocation Committee determined that, for the second consecutive year, $75 million should be allocated to the Pension Assets Fund for 2004/05.

The Fund earned net interest of $37 million in 2003/04, recovering from the effects of market downturns experienced in 2002/03. The Budget projects a return to more moderate rates in 2004/05.

The Fund is expected to have a balance of $363 million by the end of the 2004/05 fiscal year.

Pension Assets Fund
Receipts, Expenditure and Balance

Projection as at March 31, 2005 and March 31, 2004

	2004/05 Budget	2003/04 Forecast
	(Millions of Dollars)	
Fund Balance, Beginning of Year	266	151
Revenue		
Contributions		
Debt Retirement Fund	75	75
Net Investment Earnings	18	37
Departments and Crown Organizations	4	3
	97	115
Fund Balance, End of Year	363	266

■ Report on Consolidated Operations and Summary Budget Forecast

For the first time, Manitoba is presenting a prospective view on the Consolidated Operations of the Government, and a forecast of the Summary Budget over the medium term.

This presentation uses the revenue and expenditure forecasts from the Medium-Term Fiscal Framework on page 13 of this Budget Paper.

The Summary Budget represents the entire Government reporting entity. It reflects the balance under balanced budget legislation, the changes in the balances of special funds, the net contributions of Government enterprises and Crown c.. orations, and the changes in pension liabilities and pension fund assets.

The result of the interaction between the Operating Fund and the transfers to or from the Debt Retirement Fund and Fiscal Stabilization Fund, provide the balance under balanced budget legislation. Positive balances must be transferred to the Fiscal Stabilization Fund, leaving the Operating Fund Balance at $0 after the transfer.

■ Consolidated Operations and Summary Budget Forecast

Adjustments to determine Consolidated Net Income/(Expenditure) include:

- Total changes in Special Funds;
- Contributions of enterprises and Crown corporations;
- Consolidation adjustments;
- Pension items; and
- For 2003/04, the adjustment for disaster-related expenditure.

The table on the next page includes these elements and related items, and provides the forecast Consolidated Net Income/(Expenditure).

Consolidated Operations and Summary Budget Forecast

(Millions of Dollars)

	2003/04	2004/05	2005/06	2006/07	2007/08
Operating Fund balance after transfer to FSF	0	0	0	0	0
Adjustment for Disaster-related Expenditure	(75)				
Special Funds (Changes in Balance)					
Debt Retirement Fund	29	(181)	31	33	35
Fiscal Stabilization Fund	(130)	5	47	22	142
Other	(4)	(2)	(2)	(2)	(2)
Subtotal	(105)	(178)	76	53	174
Consolidation Adjustment	0	202	0	0	0
Total Changes in Special Funds	(105)	24	76	53	174
Government Enterprises and Crown Corporations					
Manitoba Hydro	(359)	37	38	37	29
Manitoba Public Insurance Corp.	37	12	10	3	0
Manitoba Lotteries Corporation	236	232	232	232	232
Manitoba Liquor Control Commission	175	187	192	197	201
Special Operating Agencies	9	10	10	10	10
Crown Corporations and Other Enterprises	52	(16)	52	52	52
Subtotal: Business Enterprises and Crown Corporations	150	462	533	530	525
Consolidation Adjustments	(423)	(436)	(436)	(441)	(446)
Net Contribution - Enterprises and Crown Corporations	(273)	27	97	89	79
Balance Before Pension Items	(453)	51	173	142	253
Pension Items					
Pension Expense for Unfunded Liability	(193)	(206)	(220)	(226)	(232)
Increase in Pension Assets Fund	115	97	114	124	134
Total Pension Items	(78)	(109)	(106)	(102)	(98)
Consolidated Net Income/ (Expenditure)	**(531)**	**(58)**	**67**	**40**	**155**

Totals may not add due to rounding.

Total Changes in Special Funds

There are a number of special funds created by the Legislature for specific purposes. The two principal funds are the Fiscal Stabilization Fund and the Debt Retirement Fund. There are also a number of small, special-purpose funds – for example, the Mining Community Reserve Fund and the Quarry Rehabilitation Reserve – that in combination are projected to have little effect on the overall balance.

In 2004/05, the funds held in the Debt Retirement Fund will be withdrawn and applied to reduce outstanding debt, in accordance with the provisions of debt repayment legislation, which mandates collapsing the Fund at least once every five years. From the Fund balance of $277 million, $75 million will be allocated to the Pension Assets Fund, and $202 million to the Sinking Fund. Since the Debt Retirement Fund will also receive a $96 million contribution, the net change in the Fund will be a reduction of $181 million.

The $202 million transfer is not considered an expense for accounting purposes. A consoldation adjustment is required. Discounting this transfer, Special Funds will achieve a positive result of $24 million in 2004/05.

In the medium term, the FSF and DRF balances will grow as deposits are made from the Operating Fund.

Contributions of Government Enterprises and Crown Corporations

The net changes in operating balances (profits or losses) of Government enterprises, Crown corporations, entities and Special Operating Agencies during the fiscal year are shown in the Summary Budget. The Crown corporations having the greatest net impact on the consolidated financial results are listed. The contributions of other Government entities are included in a single entry.

An entry of note is the projected result of Manitoba Hydro for the 2003/04 fiscal year. Due to the effects of a prolonged drought on water flows, Manitoba Hydro is projected to finish its year with a loss on operations of $359 million. For fiscal year 2004/05, Manitoba Hydro is expected to return to a profit position. Approximately the same level of profit is forecast for each year of the medium term.

Consolidation Adjustments

Consolidation adjustments are made to prevent double counting of revenue or expenditure items between the Government and its related entities. These are:

- The full amount of profits from Manitoba Lotteries Corporation and the Liquor Control Commission are included in Operating Fund revenue, and so are fully included in consolidation adjustments.
- Revenue-sharing payments from Special Operating Agencies are included in operating revenue and are deducted here.

Balance before Pension Items

The consolidated balance before considering pension liability will return to a positive position in 2004/05, a balance of $51 million, after a forecast negative result for 2003/04 of $453 million.

Over the medium term, this balance will remain positive and increase.

Pension Items

Upon coming into office, our Administration put into place a plan to retire the general purpose debt and to eliminate the Government's pension liability. Prior to this, it was projected that pension liability would grow to $8.4 billion by 2028, and would continue to grow after that.

The 2000 Manitoba Budget introduced a comprehensive approach to address both debt and pension obligations. The plan provides for debt and pension obligation funding of $96 million per year until 2004/05, and $110 million per year over the medium term. In addition, departments were directed to match employee pension contributions for employees hired after October 2002.

This forecast projects an allocation from the Debt Retirement Fund of $75 million to the Pension Assets Fund in each of 2003/04 and 2004/05, and $82.5 million per year over the medium term. Interest earnings and net contributions from departments and Crown corporations produce the additional increases in the Pension Assets Fund.

Consolidated Net Income/(Expenditure)

The Summary Budget represents the entire Government reporting entity as defined in Schedule 8 of the Summary Financial Statements of the Public Accounts.

The last year has been very challenging for Manitobans, and for its Crown entities. Drought and reduced water flows affected Manitoba Hydro's operations; BSE and low cattle prices affected the farm community, Government supports increased dramatically; forest fires caused several temporary relocations and required disaster expenditures. With disaster expenditures up, and Crown enterprise revenue down, the Consolidated Net Expenditure for 2003/04 is forecasted to be $531 million.

For fiscal year 2004/05, although federal transfer payments are expected to be lower than in 2003/04, own-source revenues will increase, and Manitoba Hydro is expected to return to a profitable position. The consolidated net expenditure for 2004/05 will total $58 million, an improvement of $473 million from 2003/04 results. Over the medium term, the forecast provides for positive results, with strong growth in 2007/08.

■ Loan Act Requirements

The following table reflects expenditure authority to be included in *The Loan Act, 2004.*

Incremental Capital Authority Requirements for Non-Budgetary Programs, 2004/05

(Thousands of Dollars)

The Loan Act, 2004

The Manitoba Hydro-Electric Board	629,200
Health Capital Program	97,800
Manitoba Agricultural Credit Corporation	57,500
Manitoba Lotteries Corporation	25,700
Manitoba Student Financial Assistance Program	17,500
Manitoba Industrial Opportunities Program	15,800
Manitoba Housing and Renewal Corporation	13,720
Communities Economic Development Fund	12,600
Manitoba Opportunities Fund Ltd.	9,500
Special Operating Agencies Financing Authority – Fleet Vehicles Agency	7,000
Diagnostic Services Manitoba	4,000
Rural Economic Development Initiatives	1,650
Venture Manitoba Tours Ltd.	1,615
Manitoba Film Guarantee Program	480
Manitoba Potash Corporation	195
	894,260

Non-Budgetary Capital Program, 2004/05

(Thousands of Dollars)

The Manitoba Hydro-Electric Board	605,000
Health Capital Program	212,441
Manitoba Lotteries Corporation	140,400
Manitoba Agricultural Credit Corporation	104,850
Manitoba Industrial Opportunities Program	52,950
Manitoba Student Financial Assistance Program	38,846
Manitoba Housing and Renewal Corporation	32,175
The Manitoba Water Services Board	31,102
Red River Floodway Expansion Authority	15,000
Special Operating Agencies Financing Authority – Fleet Vehicles Agency	11,927
Community Economic Development Fund	11,900
Diagnostic Services Manitoba	7,701
Special Operating Agencies Financing Authority – Food Development Centre	5,801
Manitoba Opportunities Fund	5,000
Miscellaneous Corporations, Agencies and Other Programs	8,781
	1,283,874

Borrowing Requirements

Manitoba's borrowing requirements for both general and self-sustaining purposes will total $2.3 billion in 2004/05. A total of $1.6 billion is required for refunding. The remainder is required for self-sustaining programs, including Manitoba Hydro, capital investments and disaster funding. Incremental capital authority requirements totalling $0.89 billion are provided by *The Loan Act, 2004*.

Borrowing Requirements
(Thousands of Dollars)

	Refunding 2004/05	New Cash Requirements 2004/05	Estimated Repayments 2004/05	Borrowing Requirements 2004/05
Refunding General Government Program Debt	1,480,130	74,800	-	1,554,930
Capital Investments (General Assets)	-	26,000	-	26,000
Capital Investments (Infrastructure Assets)	-	16,700	-	16,700
Manitoba Hydro	93,450	353,450	-	446,900
Manitoba Lotteries Corporation	-	116,400	-	116,400
Manitoba Hospital Facilities	65,000	20,000	35,000	50,000
Business Support Programs	-	52,950	12,950	40,000
Manitoba Agricultural Credit Corporation	-	104,850	84,850	20,000
Red River Floodway Renewal and Expansion	-	20,000	-	20,000
Manitoba Student Financial Assistance	-	25,000	15,000	10,000
Manitoba Housing and Renewal Corporation	-	32,175	22,175	10,000
Diagnostic Services Manitoba	-	7,700	-	7,700
Manitoba Opportunities Fund Ltd.	-	5,000	-	5,000
The Manitoba Water Services Board	-	19,071	14,071	5,000
Communities Economic Development Fund	-	11,250	6,250	5,000
Fleet Vehicles Agency	-	7,719	5,000	2,719
Miscellaneous	-	11,200	11,200	-
	1,638,580	904,265	206,496	2,336,349

Statement of Valuation and Purpose of Direct and Guaranteed Debt Outstanding

(Thousands of Dollars) *Preliminary Unaudited*

As at March 31, 2004 (with comparative figures for March 31, 2003)

	Canadian Dollar Valuation (Note 1) March 31/04	Canadian Dollar Valuation (Note 1) March 31/03	Increase (Decrease) March 31/04 over March 31/03
Direct Debt Payable in:			
Canadian Dollars	12,643,107	11,812,749	830,358
Issues Hedged to Canadian Dollars	3,210,936	3,348,799	(137,863)
U.S. Dollars	2,227,850	3,305,925	(1,078,075)
Issues Hedged to U.S. Dollars	957,913	939,179	18,734
Total Direct Debt	19,039,806	19,406,652	(366,846)
Guaranteed Debt Payable in:			
Canadian Dollars	910,294	979,202	(68,908)
U.S. Dollars	12,450	-	12,450
Total Guaranteed Debt	922,744	979,202	(56,458)
Total Direct and Guaranteed Debt (Note 2)	19,962,550	20,385,854	(423,304)
Less: Sinking Fund Investments	4,810,993	5,679,730	(868,737)
Less: Debt Retirement Fund	180,326	151,850	28,476
Net Direct and Guaranteed Debt (Note 3)	14,971,231	14,554,274	416,957

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at March 31, 2004 and at March 31, 2003. As at March 31, 2004, the U.S. dollar exchange rate was $1.3105 (2003 - $1.4693).

Note 2: Direct and Guaranteed Debt are payable in Canadian and U.S. dollars. As at March 31, 2004, total Gross Debt was payable 84% in Canadian dollars and 16% in U.S. dollars. Of this total, General Government Program Debt and Other Debt was 100% payable in Canadian dollars (97% at March 31, 2003) while U.S. dollars exposure was nil (3% at March 31, 2003). Manitoba Hydro Debt was payable 57% in Canadian dollars (47% at March 31, 2003) and 43% in U.S. dollars (53% at March 31, 2003).

Note 3: The above debt was issued for the following purposes:

	March 31, 2004 ($ Thousands)	March 31, 2004 ($ Per Capita) (Note 4)	March 31, 2003 ($ Thousands)	March 31, 2003 ($ Per Capita) (Note 4)
General Government Programs	6,316,518	5,418	6,354,604	5,479
The Manitoba Hydro-Electric Board	6,648,770	5,703	6,343,756	5,469
Capital Investments	319,900	274	294,900	254
Manitoba Hospital Facilities	499,000	428	445,000	384
Other	1,187,043	1,018	1,116,014	962
	14,971,231 (Note 5)	12,841	14,554,274	12,548

Note 4: Per capita data is based upon population figures at January 1, 2004 and April 1, 2003 as reported by Statistics Canada.

Note 5: General Government program debt decreased by $38 million due to the deposit to the Debt Retirement Fund. All other debt increased $455 million due to the continued consolidation of hospital facilities debt on to the Province's records, combined with Provincial Part B capital requirements, and Manitoba Hydro's new capital requirements, offset by an improved Canadian dollar.

Direct and Guaranteed Debt

Net Maturities to March 31, 2042

	Canadian Valuation Payable In		
	Canadian Dollars	U.S. Dollars	Net Maturities
		(Millions of Dollars)	
2004/05	1,365	-	1,365
2005/06	1,476	265	1,741
2006/07	1,121	655	1,776
2007/08	1,489	-	1,489
2008/09	1,526	-	1,526
2009/10	208	384	592
2010/11	628	62	690
2012 - 16	1,437	443	1,880
2017 - 21	850	524	1,374
2022 - 26	2	393	395
2027 - 42	1,610	-	1,610
Treasury Bills and Promissory Notes	521	12	533
	12,233	2,738	14,971

The above table is based on foreign exchange rates in existence at March 31, 2004.

Manitoba Financial Statistics, Ten-Year Summary

	2004/05 Budget	2003/04 3Q Forecast	2002/03 Actual	2001/02 Actual	2000/01 Actual
	(Millions of Dollars)				
FINANCIAL STATEMENTS					
Revenue					
Own-Source Revenue	5,124	4,774	4,792[1]	4,540	4,661
Federal Transfers	2,447	2,517	2,230	2,207	2,091
Total	7,571	7,291	7,022	6,747	6,752
Expenditure					
Program Expenditure[4]	7,233	7,093	6,623	6,324	6,104
Public Debt Costs[4]	239	315	321	414	511
Total	7,472	7,408	6,944	6,738	6,615
Net Revenue/(Expenditure)	99	(117)	78	9	137
Emergency/Extraordinary Items		75[5]			
Debt/Pension Repayment	(96)	(96)	(96)	(96)	(96)
Transfers from/(to) Fiscal Stabilization Fund	0	143	22	150	0
Balance under Balanced Budget Legislation	3	5	4	63	41
Net Direct and Guaranteed Debt					
General Purpose	6,370	6,316	6,354	6,406	6,537
Manitoba Hydro	6,874	6,649	6,344	6,263	6,053
Other	1,429	1,187	1,116	1,099	1,086
Health Facilities	549	499	445	390	220
Capital Investments	362	320	295	245	260
Total	15,584	14,971[6]	14,554	14,403	14,156
Other Obligations					
Health Debt	265	186	195	225	358
Pension Liability[7]	3,810	3,604	3,411	3,217	3,050
Pension Assets	(363)	(266)	(151)	(107)	(21)
Total	3,712	3,524	3,455	3,335	3,387
Total Obligations	19,296	18,495	18,009	17,738	17,543
Fiscal Stabilization Fund End-of-Year Balance	106	101	236	247	320
Memorandum Items					
Population (000's)	1,169	1,163	1,156	1,151	1,147
GDP at Market Prices	40,225	38,491	36,997	35,219	34,085

Note 1: Includes Manitoba Hydro special payment 2001/02 – $150 million, and $51.1 million adjustment for federal accounting error.
Note 2: Includes net gain from divestiture of Manitoba Telephone System – $264.6 million.
Note 3: Includes Special Lotteries Transfer – $145 million.
Note 4: Effective from fiscal year 2002/03 interest-carrying costs of capital assets (then worth $20 million) are included in departmental expenditures and from fiscal year 2004/05 interest-carrying costs of infrastructure assets (additional $60 million) are included in departmental expenditures.

1999/00 Actual	1998/99 Actual	1997/98 Actual	1996/97 Actual	1995/96 Actual	
		(Millions of Dollars)			
					FINANCIAL STATEMENTS
					Revenue
4,264	4,322	3,858	4,047[2]	3,789[3]	Own-Source Revenue
2,073	1,560	1,884	1,716	1,873	Federal Transfers
6,337	5,862	5,742	5,763	5,662	Total
					Expenditure
5,971	5,372	5,171	4,869	4,913	Program Expenditure[4]
465	515	520	539	592	Public Debt Costs[4]
6,436	5,887	5,691	5,408	5,505	Total
(99)	(5)	51	355	157	**Net Revenue/(Expenditure)**
					Emergency/Extraordinary Items
(75)	(150)	(75)	0	0	**Debt/Pension Repayment**
185	186	100	(264)	0	**Transfers from/(to) Fiscal Stabilization Fund**
11	31	76	91	157	**Balance under Balanced Budget Legislation**
					Net Direct and Guaranteed Debt
6,473	6,632	6,773	6,808	6,814	General Purpose
5,798	5,677	5,569	4,893	5,090	Manitoba Hydro
943	947	976	1,212	1,770	Other
0	0	0	0	0	Health Facilities
245	142	0	0	0	Capital Investments
13,459	13,398	13,318	12,913	13,674	Total
					Other Obligations
501	450	461	438	604	Health Debt
2,906	2,766	2,572	2,182	2,039	Pension Liability[7]
0	0	0	0	0	Pension Assets
3,407	3,216	3,033	2,620	2,643	Total
16,866	16,614	16,351	15,533	16,317	**Total Obligations**
264	427	565	578	210	**Fiscal Stabilization Fund End-of-Year Balance**
					Memorandum Items
1,143	1,138	1,136	1,134	1,129	Population (000's)
31,925	30,892	29,716	28,433	25,966	GDP at Market Prices

Note 5: Under balanced budget legislation, disaster-related expenditures may be written directly to accumulated deficit. In 2003/04, the effect of the BSE crisis, drought and forest fires required extraordinary emergency expenditures to which this provision applies.

Note 6: Debt is as of March 31, 2004.

Note 7: Now reflects pension liability per summary financial statements. In previous years, amount excluded unamortized gains and losses resulting from actuarial valuations.

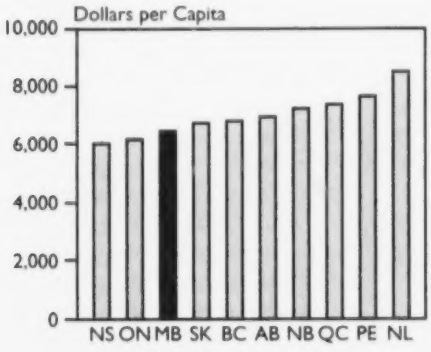
Manitoba Financial Statistics, Ten-Year Summary

	2004/05 Budget	2003/04 3Q Forecast	2002/03 Actual	2001/02 Actual	2000/01 Actual
Annual Change			(Percent Change)		
Own-Source Revenue	7.3	(0.4)	5.6	(2.6)	9.3
Federal Transfers	(2.8)	12.9	1.0	5.5	0.9
Total Revenue	3.8	3.8	4.1	(0.1)	6.5
Program Expenditure	2.0	7.1	4.7	3.6	2.2
Public Debt Costs	(24.1)	(1.9)	(22.5)	(19.0)	9.9
Total Expenditure	0.9	6.7	3.1	1.9	2.8
Balance under Balanced Budget Legislation	(40.0)	25.0	(93.7)	53.7	272.7
Net General Purpose Debt	0.9	(0.6)	(0.8)	(2.0)	1.0
Total Net Debt	4.1	2.9	1.0	1.7	5.2
Percent of GDP			(Percent)		
Own-Source Revenue	12.7	12.4	13.0	12.9	13.7
Total Revenue	18.8	18.9	19.0	19.2	19.8
Program Expenditure	18.0	18.4	17.9	18.0	17.9
Public Debt Costs	0.6	0.8	0.9	1.2	1.5
Total Expenditure	18.6	19.2	18.8	19.1	19.4
Balance under Balanced Budget Legislation	0.0	0.0	0.0	0.2	0.1
Net General Purpose Debt	15.8	16.4	17.2	18.2	19.2
Percent of Revenue					
Own-Source Revenue	67.7	65.5	68.2	67.3	69.0
Federal Transfers	32.3	34.5	31.8	32.7	31.0
Public Debt Costs	3.2	4.3	4.6	6.1	7.6
Net General Purpose Debt	84.1	86.6	90.5	94.9	96.8
Percent of Expenditure					
Program Expenditure	96.8	95.7	95.4	93.9	92.3
Public Debt Costs	3.2	4.3	4.6	6.1	7.7
Balance under Balanced Budget Legislation	0.0	0.1	0.1	0.9	0.6
Dollars Per Capita			(Dollars)		
Total Expenditure	6,392	6,370	6,007	5,854	5,767
Public Debt Costs	204	272	278	360	446
Balance under Balanced Budget Legislation	3	4	3	55	36
Net General Purpose Debt	5,449	5,431	5,497	5,566	5,699

Source: Manitoba Department of Finance

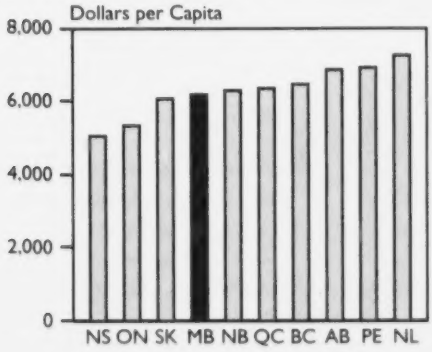
1999/00 Actual	1998/99 Actual	1997/98 Actual	1996/97 Actual	1995/96 Actual	
		(Percent Change)			**Annual Change**
(1.3)	12.0	(4.7)	6.8	14.5	Own-Source Revenue
32.9	(17.2)	9.8	(8.4)	(1.2)	Federal Transfers
7.7	2.4	(0.4)	1.8	8.8	Total Revenue
11.2	3.9	6.2	(0.9)	2.3	Program Expenditure
(9.7)	(1.0)	(3.5)	(9.0)	(0.8)	Public Debt Costs
9.3	3.4	5.2	(1.8)	1.9	Total Expenditure
(64.5)	(59.2)	(16.5)	(42.0)	n.a.	Balance under Balanced Budget Legislation
(2.4)	(2.1)	(0.5)	(0.1)	(7.5)	Net General Purpose Debt
0.5	0.6	3.1	(5.6)	(4.6)	Total Net Debt
		(Percent)			**Percent of GDP**
13.4	14.0	13.0	14.2	14.6	Own-Source Revenue
19.8	19.0	19.3	20.3	21.8	Total Revenue
18.7	17.4	17.4	17.1	18.9	Program Expenditure
1.5	1.7	1.7	1.9	2.3	Public Debt Costs
20.2	19.1	19.2	19.0	21.2	Total Expenditure
0.0	0.1	0.3	0.3	0.6	Balance under Balanced Budget Legislation
20.3	21.5	22.8	23.9	26.2	Net General Purpose Debt
					Percent of Revenue
67.3	73.5	67.2	70.2	66.9	Own-Source Revenue
32.7	26.5	32.8	29.8	33.1	Federal Transfers
7.3	8.8	9.1	9.4	10.5	Public Debt Costs
102.1	112.8	118.0	118.1	120.3	Net General Purpose Debt
					Percent of Expenditure
92.8	91.3	90.9	90.0	89.2	Program Expenditure
7.2	8.7	9.1	10.0	10.8	Public Debt Costs
0.2	0.5	1.3	1.7	2.9	Balance under Balanced Budget Legislation
		(Dollars)			**Dollars Per Capita**
5,631	5,173	5,010	4,769	4,876	Total Expenditure
407	453	458	475	524	Public Debt Costs
10	27	67	80	139	Balance under Balanced Budget Legislation
5,663	5,828	5,962	6,004	6,035	Net General Purpose Debt

Total Expenditure by Province, 2003/04



Sources: Statistics Canada and provincial mid-year financial statements

Program Expenditure by Province, 2003/04



Sources: Statistics Canada and provincial mid-year financial statements

■ Manitoba's Relative Position Among Provinces

Manitoba continues to maintain its reputation for fiscal prudence. The Province's measured approach to balancing the budget, managing its debt and pension liabilities, and dealing with cost pressures in health and other key program areas has been acknowledged by both the financial industry and credit rating agencies. Last year, both Moody's Investors Service and Dominion Bond Rating Service recognized Manitoba's recent fiscal progress by boosting the Province's credit ratings.

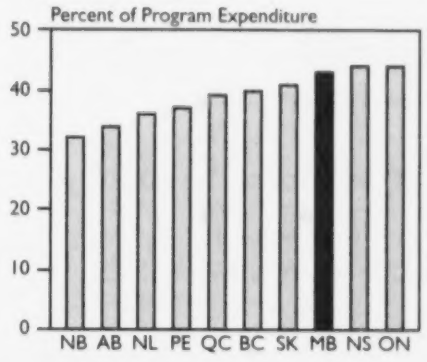
Manitoba has one of the most efficient and cost-effective governments in Canada. As the adjoining charts indicate, per capita total expenditure was third-lowest and per capita program expenditure was fourth-lowest among provinces in 2003/04.

Effective debt management has contributed to significant reductions in the annual cost of servicing the Provincial debt. Over the last five years, annual debt servicing costs have declined by $177 million. As a share of the total Provincial budget, debt servicing costs have been halved over the past five years. Annual debt servicing costs in Manitoba, both as a share of total budgetary expenditure and on a per capita basis, are the second-lowest among provinces.

The practical consequence of this strong financial performance is that Manitoba is better able to maintain its commitment to major health and social programs than otherwise would be the case. In 2003/04, heath expenditure was 43% of total program spending in Manitoba, third-highest among provinces and above the national average of 39%.

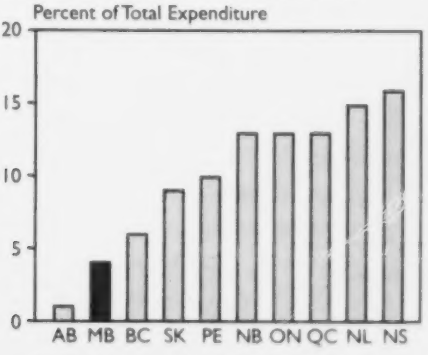
Note: Interprovincial comparisons are based on provincial mid-year financial statements. Since not all provincial governments will have tabled their budgets prior to publication, the pre-budget estimates were used for all provinces to ensure comparability.

Health Expenditure by Province, 2003/04



Sources: Statistics Canada and provincial mid-year financial statements

General Purpose Debt Servicing Costs by Province, 2003/04



Sources: Statistics Canada and provincial mid-year financial statements

Improving Transparency and Accountability

The Government continues to strive to improve transparency concerning its operations, while meeting specific requirements of the Provincial Legislature and the legislation it has passed. The financial statements have kept pace with generally accepted accounting principles as outlined by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Improved Reporting

In its journey to improved disclosure, the Government has been assisted by the recommendations of the Auditor General. For instance, when expressing his concerns regarding confusion over separate financial statements for the Operating Fund and the consolidated reporting entity in his March 29, 1999 press release on the Public Accounts, he identified two courses of action:

1. stop producing financial statements on the Operating Fund; or
2. combine the summary financial statements into one volume so that their interrelationships would be more transparent.

The latter recommendation was adopted in the current Administration's first set of Public Accounts for 1999/2000.

In considering the former, many factors were assessed, including the budget laws of Manitoba and the views of the Public Sector Accounting Board previously stated on page 2 of this Budget Paper.

Based on this, we have continued to produce the Operating Fund special purpose financial statements in the interest of providing readers with a comprehensive reporting on the financial affairs of government. Interested parties are encouraged to access all the reports of the Government of Manitoba which are provided for the information of the Legislature and the public.

Following up on the Auditor General's further recommendations, the Government began issuing comprehensive annual reports in 2000/01. This fulfilled our commitment to provide more comprehensive reporting on the Government's fiscal results. These reports include not only financial statements, but also discussion and analysis. Further, they include financial and economic indicators for the Government's central operations, as well as for the entire Government reporting entity.

The Auditor General commended the Government in four successive reports on the Public Accounts, from 2001 to 2003, for the continuous improvement achieved in its accounting and reporting practices. Among an extensive list of these improvements are the recognition of the unfunded liability for future benefits for employees of non-devolved health care facilities, the introduction of commentary on environmental issues, improved notes and schedules, and improved disclosure in a large number of technical areas, bringing government's accounting practices closer to full compliance with generally accepted accounting principles for public sector.

In 2001/02 for the first time, a Summary Budget was presented that shows the entire Government reporting entity.

Beginning in 2002/03, the Report on Consolidated Operations includes the Summary Budget Forecast, and more complete explanations of the components of the summary financial statements. The 2004/05 Budget, for the first time, provides a forward-looking approach to Summary Budgets, with forecasts of summary results through to 2007/08. Further, for 2004/05, a statement on the Pension Assets Fund has been included.

■ Capital Acquisitions

The Government introduced budgetary measures for considering the full cost of capital assets in program costs. The budget for the acquisition cost of general assets has been reflected in Part B of the Estimates since 1999/2000, and the related annual amortization costs have been voted as part of departmental appropriations. In 2002/03, the interest costs relating to capital acquisitions was also included in department program costs. This has resulted in the full cost of capital acquisitions being included in overall departmental program costs, providing for greater departmental accountability for capital expenditures.

■ Infrastructure Capitalization

For 2004/05, Manitoba is introducing a capitalization policy for its infrastructure assets.

By way of explanation, general tangible capital assets are consumed by government in providing government services, and use is usually restricted to government purposes such as buildings and computer equipment. Infrastructure assets are assets which are consumed by the general public and whose access is generally not restricted such as roads and parks.

PSAB requires infrastructure assets to be recorded. Prior to this year, tangible capital for infrastructure has not been not recorded as assets, pending the results of a special study on infrastructure by PSAB. Now that the PSAB Research Study on Infrastructure has been released, and confirms the applicability of capitalization for infrastructure, the Government is proceeding to value and recognize infrastructure in its accounts. Infrastructure assets will now be treated in the same manner as other tangible capital assets of government, as described in the Capital Acquisitions section above.

This will now put Manitoba in full compliance with the capital asset accounting practices prescribed by PSAB.

■ Pension Accounting

Departments began funding the cost of matching pension contributions for employees hired on or after October 1, 2002 from their appropriations. This funding is being directed to the Pension Assets Fund, in addition to other contributions being made through the Debt Retirement Fund. The cost of the pension benefits thus begins to be reflected in the various programs across government. It also accelerates the Government's plan to address the outstanding pension liability.

Budget Paper C

RESTORING FISCAL BALANCE

RESTORING FISCAL BALANCE

Contents

The Council of the Federation 3

The Nature of the Challenge 3

Role of the Federal Government 5

Health Care Reform and Sustainability 7

Canada Social Transfer 9

Equalization 11

Shared or Tied-Cost Funding Programs 13

Affordability 14

Conference Board Study 15

Fiscal Equilibrium in the Canadian Federation 17

Appendix A: Details of the 2003 Health Financing Arrangement 19

Appendix B: Splitting the CHST 20

RESTORING FISCAL BALANCE

To succeed as a country, Canada needs effective federal and provincial/territorial institutions and fiscal arrangements. The creation of the Council of the Federation represents an important step in this regard, bringing together the provinces and territories for the purpose of improving working relations with each other and the federal government.

Demographic forces are such that within the next five years, Canadians on the leading edge of the baby boom will be reaching retirement age and starting to leave the active labour force. Also, within the next decade, the costs associated with the ageing of the population will begin to be reflected in health budgets throughout the country. The revenue and cost implications of these trends are such that, without a fairer sharing of the costs with the federal government, provinces and territories will face severe resource constraints over the foreseeable future.

In February, the Conference Board of Canada produced a study looking at the fiscal prospects of both orders of government out to 2020[1]. A key finding of the study was that, in the absence of any major new policy initiatives, the federal government is expected to post increasingly large surpluses over the long term. Moreover, the magnitude of these surpluses is expected to significantly exceed provincial/territorial deficits, which the Conference Board projects will persist over the next two decades. This suggests that Canadians already pay enough in taxes to fund the activities of government as a whole, and that the problem is one of matching revenue up with the government that supplies the service. For provinces and territories, this means that, if a rebalancing of resources with responsibilities could be achieved, they need not be faced with the dilemma of either having to run deficits or compromise on other important economic and social programs in order to fund health care.

The creation of the Council of the Federation represents an important step, bringing together the provinces and territories for the purpose of improving working relations with each other and the federal government.

... achieving a proper balance between social and economic priorities is key to improving Canada's standard of living and the quality of life it offers its citizens

While tools exist to solve the distribution problem, governments collectively lack effective institutional arrangements to give force and direction to them. This is important, since achieving a proper balance between social and economic priorities is key to improving Canada's standard of living and the quality of life it offers its citizens.

Federations around the world use a variety of mechanisms to address the problem of balancing resources with responsibilities. Some, like Australia, India and South Africa, have independent commissions that make recommendations on the division of revenue-raising capacity and transfer payments. Some, such as Germany and the United States, have effective regional representation through a second legislative chamber, with powers over national program spending and transfer payments. In Canada, we have relied on a set of meetings of officials, Finance and other program Ministers, and First Ministers to discuss arrangements. This process is known as "executive federalism."

Through the 1960s and into the 1970s, these mechanisms resulted in major agreements which enabled and cost-shared, usually on a 50:50 basis, the major social programs which have become the foundation of the Canadian identity – the Hospital and Diagnostic Services Act and Medicare, the Canada Assistance Plan for social services, and the Post-secondary Education Funding Act. Prior to this, in 1957, the Equalization Program was instituted.

Unfortunately, for the last quarter century, agreements have been amended through unilateral federal action, breaking the covenants of the original agreements. These actions have reduced the federal contribution to health and social programs, and resulted in the fiscal imbalance identified in the Conference Board's study.

The Prime Minister and many Premiers have called for a new era of federal-provincial relations. The Government of Manitoba wants to be in the forefront of establishing this new relationship.

The Council of the Federation

On December 5, 2003, Canada's Premiers signed the founding agreement of the new Council of the Federation. The Council, which is comprised of the thirteen Premiers of the provinces and territories, builds on the annual conferences of Premiers which began in 1960.

Premiers recognized the need to develop a new institution to enhance provincial-territorial collaboration, and develop more effective relations with the federal government. In seeking to better meet the current and changing needs of Canadians, Premiers identified several key objectives:

a) strengthening interprovincial-territorial co-operation, forging closer ties between the members and contributing to the evolution of the Canadian federation;

b) exercising leadership on national issues of importance to provinces and territories and in improving federal-provincial/territorial relations;

c) promoting relations between governments which are based on respect for the Constitution and recognition of the diversity within the federation; and

d) working with the greatest respect for transparency and better communication with Canadians.

As improving federal-provincial relations is one of the primary objectives of the Council of the Federation, a key question is, what should be the role of the federal government in addressing the present and future challenges facing the Federation?

The Nature of the Challenge

There are many challenges to maintaining fiscal equilibrium in a federal state. However, to be effective in meeting the needs of its citizenry, a workable balance needs to be struck in terms of sharing the responsibility for providing services and the sharing of resources to address them.

PRINCIPLES AND MECHANISMS

The principles that must guide intergovernmental fiscal relations include the following.

Adequacy and Sustainability: *Ensuring that financial resources match the cost of providing priority public services, given the revenues that are available to governments over the immediate and longer term.*

Equity: *Ensuring, on behalf of all Canadians, that provinces are able to maintain comparable levels of public services at comparable levels of taxation.*

Efficiency: *Ensuring that the fiscal environment in Canada is such that business decisions, especially with respect to location, are made on the basis of economic factors, rather than on differences in "net fiscal benefits" (the difference between taxes paid and benefits received in a given province as compared to that offered by other provinces with differing fiscal capacities).*

Transparency and Accountability: *Ensuring clear information on funding and expenditure is provided by each order of government in respect of the public services provided to the public (outputs) and the benefits (outcomes) derived. This also means that governments take responsibility for their decisions about financing and/or service delivery.*

These principles must be applied to the Canada Health and Social Transfers and the Equalization Program, in order to achieve a fiscal balance between the resources and responsibilities of the federal and provincial governments, in a way that addresses the fact that revenue-generating capacities differ among provinces. They should also appy to the broader range of federal-provincial programs.

...the federal government has, over the past decade, structured its financial obligations with respect to transfer payments to provinces and other programs so that it is not exposed to program cost pressures or the cyclical risk on the social program side associated with an economic downturn

Under Canada's Constitution, provinces are charged with the responsibility for providing health care, education and social services. To fund these and other important public services, they have access to broad powers of taxation. However, the capacity to generate the revenue necessary to fund these programs is unevenly distributed across provinces. Provinces are currently hard-pressed to meet the demands of health care, education, social programs and infrastructure while maintaining balanced budgets and commitments to tax competitiveness. Given current fiscal capacity and program commitments, provinces are finding it increasingly difficult to deal with the consequence of slower economic growth and the economic costs associated with major unforeseen disruptions, like BSE or SARS, and natural disasters, such as droughts, floods and forest fires.

At the same time, studies indicate that, in the absence of any new major policy initiatives, the federal government could post increasingly large budgetary surpluses over the foreseeable future without having to increase taxes. In addition, the federal government has, over the past decade, structured its financial obligations with respect to transfer payments to provinces and other programs so that it is not exposed to program cost pressures or the cyclical risk on the social program side associated with an economic downturn. Indeed, transfers in respect of health and other major social programs are provided as block payments which are unrelated to actual provincial program costs or funding needs.

In these circumstances, without the benefit of adequate federal transfer payments, the majority of the provinces face the prospect of either reducing access to, or quality of, public services below current standards, or resorting to increases in taxes or fees. This dilemma underscores the need for effective institutional arrangement so that priorities can be arbitrated and reasonable fiscal equity among provinces (horizontal balance) and

between the federal and provincial governments (vertical balance) achieved. It is clear that these fiscal imbalances can, and must, be addressed.

The creation of the Council of the Federation may be understood as an evolutionary step in developing the institutions needed to make federalism in Canada work more effectively. It offers a more structured framework for co-operation and co-ordination among provinces and territories and with the federal government. In this regard, it provides provinces and territories with an opportunity to more clearly articulate the kind of partnership they are looking for with the federal government.

At its February 2004 meeting, the Council of the Federation laid out its plans for discussing health care reform and sustainability and the enhancement of the Equalization Program with Prime Minister Martin at the First Ministers' Meeting scheduled for later in the year. It also announced a health care focussed workplan to examine:

a) the medium- and long-term impact of key cost drivers in health care;

b) a sustainable track for health care funding;

c) the examination of a broad range of health care reform priorities; and

d) unique challenges faced by rural and remote communities.

■ Role of the Federal Government

The federal government has played a role in funding a wide variety of major and minor programs that fall under provincial jurisdiction for more than 100 years. Since World War II, it has played a key role in funding major social programs like public health care, and in designing transfer programs like Equalization, both of which have become defining features of the federation.

HEALTH CARE CONTEXT

Health care costs in Canada are currently about 10% of GDP, up from 9% five years ago. In the U.S., over the same period, health care costs have risen to 15% of GDP, from 13%.

Considering the fact that when Medicare was first introduced in Canada in 1966, health care costs in both countries were about 6% of GDP, it is clear that Canada's model of health care delivery and administration has been relatively more successful in managing cost pressures.

However, there remain significant challenges in adequately servicing a population that is both ageing and geographically dispersed. In this regard, there continues to be a number of areas where substantial resources and reform are yet required.

With the Equalization Program and the Canada Health and Social Transfers, Canada has the basic fiscal mechanisms in place to address the main priorities of Canadians. What is currently lacking is the commitment to fully utilize them in a way that is effective, accountable and transparent to the public. For these mechanisms to meet both current and future challenges, what is needed is a funding partnership between the federal and provincial/territorial governments that assures adequate resources are devoted to addressing them.

The Equalization Program, the principle of which is enshrined in the Constitution, is the backbone of federal-provincial fiscal arrangements.

The federal government is involved in funding provincial programs in several different ways, and through them addresses, to a degree, the fiscal imbalances between it and the provinces and those among provinces.

Through the Canada Health Transfer (CHT) and Canada Social Transfer (CST) the federal government provides all provinces and territories with cash payments to help defray the expense of major social programs like health, post-secondary education, early childhood development and social services. In so doing, the fiscal imbalance between the two orders of government is narrowed.

Through the Equalization Program, provinces with lower fiscal capacity are provided with transfer payments that are designed to ensure that Canadians everywhere have access to comparable public services at comparable rates of taxation. It also facilitates growth, stability and the reduction of regional economic disparities. This program, the principle of which is enshrined in the Constitution, is the backbone of federal-provincial fiscal arrangements.

The third tool utilized by the federal government is shared-cost or tied-funding arrangements. Over the past several decades, it would appear that they have become a preferred mechanism for influencing provincial/territorial government spending decisions and priorities. Provincial/territorial experience with these programs has

been mixed. While some arrangements reflect effective negotiation and shared priorities, others have resulted in duplication of effort, conflicting programs and inefficient utilization of resources.

Health Care Reform and Sustainability

Health care is repeatedly cited by Canadians as the first priority they want to see governments address. They have also made it clear that they expect both the federal and provincial governments to be involved.

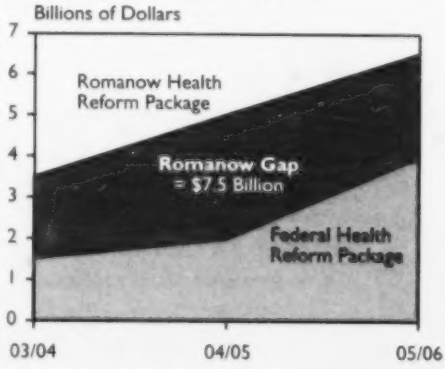
Under the 2003 First Ministers' Health Financing Arrangement, provinces and territories will receive funding targeted for reform of the health care system, and one-time supplements to the CHST to deal with existing problems. However, no additional funds were provided to the CHST base to help provinces and territories fund core health and other social services, beyond what had previously been announced in the October 2002 Economic Statement (see Appendix A).

There is consensus among provinces and territories that the amount of money provided by the federal government for health reform is insufficient to fully implement plans to restructure the health care system. The $7.5 billion committed by the federal government for health reform initiatives over the first three years of the Arrangement is half of what was recommended in the Romanow Report[2] and by Senator Kirby's Committee[3]. This has opened up what has been termed the "Romanow Gap"—the $7.5 billion shortfall in federal funding for health reform (see Chart 1).

Arguably, the orientation of the reform initiatives outlined in the 2003 Health Funding Arrangement is to improve access to care and expand the range of services that are covered by the public health system. While these reforms may improve the quality and quantity of health services, they will

Chart 1

Federal Response to the Romanow Commission



Sources: Finance Canada and Manitoba Finance

been mixed. While some arrangements reflect effective negotiation and shared priorities, others have resulted in duplication of effort, conflicting programs and inefficient utilization of resources.

Health Care Reform and Sustainability

Health care is repeatedly cited by Canadians as the first priority they want to see governments address. They have also made it clear that they expect both the federal and provincial governments to be involved.

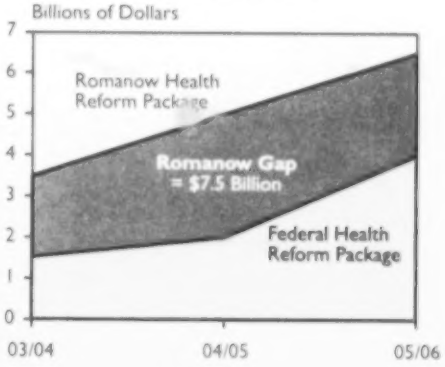
Under the 2003 First Ministers' Health Financing Arrangement, provinces and territories will receive funding targeted for reform of the health care system, and one-time supplements to the CHST to deal with existing problems. However, no additional funds were provided to the CHST base to help provinces and territories fund core health and other social services, beyond what had previously been announced in the October 2002 Economic Statement (see Appendix A).

There is consensus among provinces and territories that the amount of money provided by the federal government for health reform is insufficient to fully implement plans to restructure the health care system. The $7.5 billion committed by the federal government for health reform initiatives over the first three years of the Arrangement is half of what was recommended in the Romanow Report[2] and by Senator Kirby's Committee[3]. This has opened up what has been termed the "Romanow Gap"—the $7.5 billion shortfall in federal funding for health reform (see Chart 1).

Arguably, the orientation of the reform initiatives outlined in the 2003 Health Funding Arrangement is to improve access to care and expand the range of services that are covered by the public health system. While these reforms may improve the quality and quantity of health services, they will

Chart 1

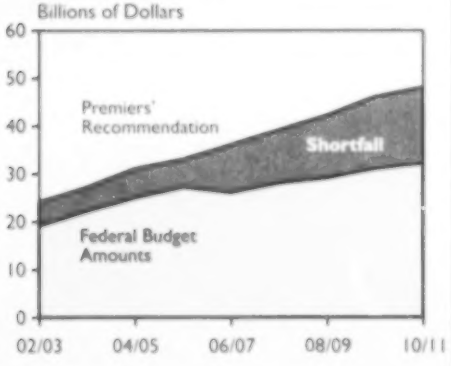
Federal Response to the Romanow Commission



Sources: Finance Canada and Manitoba Finance

Chart 2

Shortfall in Funding for Major Social Programs



Sources: Finance Canada and Manitoba Finance

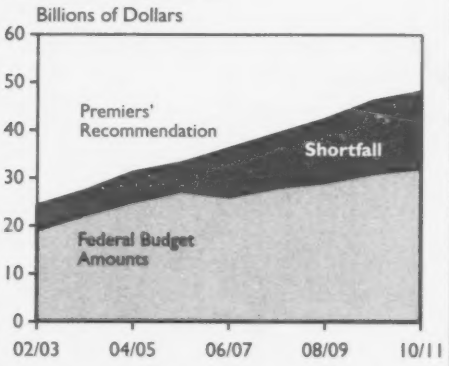
not reduce the cost of providing health care o moderate its rate of growth. While issues such as waiting lists and shortages among health professionals will require higher levels of funding reforms which more fundamentally address expectations and utilization are required to place health care costs on a long-term sustainable track.

The 2003 Health Financing Arrangement provided for substantial amounts of one-time only and tied funding in the first few years. While these funds were helpful in dealing with the more immediate problems facing provinces and territories, they are not a durable solution to ongoing cost pressures. In this respect, the federal provision to make the Health Reform Fund part of the CHT cash base in 2008/09 is a useful model for funding reform initiatives. The federal government should consider applying this model to the Diagnostic/ Medical Equipment Fund and CHST Supplement payments. In regard to the former, funding could in 2006/07, be added into the CHT to help provinces and territories defray ongoing operating and staff training costs.

Federal funding for health and other social programs is projected to continue to fall short of what has been recommended by Premiers. Based on the schedule of payments in the 2003 federal budget, and independent budget projections over the medium to longer term, the federal share of provincial costs is expected to remain in the 16–17% range. To put this in perspective, the current shortfall of roughly $5 billion is expected to triple to about $15 billion by the end of the decade (see Chart 2).

Chart 2

Shortfall in Funding for Major Social Programs



Sources: Finance Canada and Manitoba Finance

not reduce the cost of providing health care or moderate its rate of growth. While issues such as waiting lists and shortages among health professionals will require higher levels of funding, reforms which more fundamentally address expectations and utilization are required to place health care costs on a long-term sustainable track.

The 2003 Health Financing Arrangement provided for substantial amounts of one-time only and tied funding in the first few years. While these funds were helpful in dealing with the more immediate problems facing provinces and territories, they are not a durable solution to ongoing cost pressures. In this respect, the federal provision to make the Health Reform Fund part of the CHT cash base in 2008/09 is a useful model for funding reform initiatives. The federal government should consider applying this model to the Diagnostic/Medical Equipment Fund and CHST Supplement payments. In regard to the former, funding could, in 2006/07, be added into the CHT to help provinces and territories defray ongoing operating and staff training costs.

Federal funding for health and other social programs is projected to continue to fall short of what has been recommended by Premiers. Based on the schedule of payments in the 2003 federal budget, and independent budget projections over the medium to longer term, the federal share of provincial costs is expected to remain in the 16–17% range. To put this in perspective, the current shortfall of roughly $5 billion is expected to triple to about $15 billion by the end of the decade (see Chart 2).

■ Canada Social Transfer

Given the immediacy of the problems such as those associated with funding health care, BSE, SARS, and forest fires in 2003, funding for post-secondary education and social services has not received adequate public debate. Concerned that this issue was being crowded off of the federal-provincial agenda, Provincial/Territorial Finance Ministers at their June 25–26, 2003 Halifax meeting, stated that

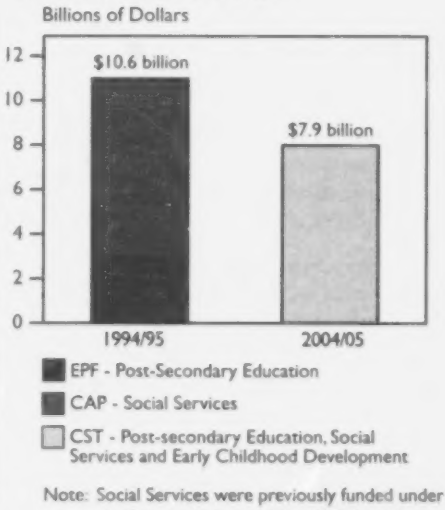
> ... the Federal Government must work with provinces and territories to ensure that adequate and sustainable funding is available under the new Canada Social Transfer for education and social programs, which is due to be implemented in April 2004.

Against the advice of the Romanow Commission, the federal government is reducing funding for post-secondary education and social services under the CST to a level significantly lower than it did prior to the introduction of the CHST. This decision means that a substantial portion – 60% – of the "advertised" increase in federal funding for health care announced in the 2003 Health Financing Arrangement comes at the expense of existing funding for post-secondary education and social services (see Chart 3). This takes place at the same time as expenditure pressures faced by provinces and territories in funding post-secondary education and social services continue to grow. (See Appendix B for a more detailed analysis of the implications of the federal decision to reduce post-secondary education and social service funding as it moved to split the CHST into separate transfers.)

The 2004 federal Budget also introduced a number of measures to increase university enrolment. Because these measures were taken without consultation and co-ordination with the provinces, they do not adequately take into account the increase in costs that will have to be incurred by universities in terms of infrastructure and hiring of staff to service

Chart 3

Federal Transfers for Post-Secondary Education and Social Services, 1994/95 and 2004/05



Note: Social Services were previously funded under the Canada Assistance Plan (CAP) and Post-Secondary Education under Established Programs Financing (EPF). They are currently funded under the Canada Social Transfer (CST).

Source: Finance Canada and Manitoba Finance

SOCIAL UNION FRAMEWORK AGREEMENT

In 1999, First Ministers (except the Premier of Quebec) signed A Framework to Improve the Social Union for Canadians, otherwise known as the Social Union Framework Agreement, or SUFA. The SUFA sets out principles related to, among other things, public accountability and transparency, and the involvement of Canadians in the development of social priorities and review of outcomes.

It also provides a set of "ground rules" that governments are to use when interacting with each other:

- *joint planning and collaboration;*
- *reciprocal notice and offers to consult on changes that could significantly impact on other governments;*
- *funding predictability in federal transfers to provinces; and*
- *consultations with provinces when the federal government initiates new Canada-wide programs, to reduce overlap and duplication in delivery of services.*

Regrettably, the federal government has chosen not to consult with provinces on matters such as the splitting of the creation of the new Canada Health and Canada Social Transfers, nor provide funding predictability in its transfers to provinces. Nonetheless, the principles and rules of conduct embodied in the SUFA are sound, and it remains a potentially important tool for improving Canada's social union and relationships between governments.

this increase in demand. As noted above, the federal government has introduced these measures at the same time as it has drastically reduced its contribution to provincial funding of post-secondary education. To achieve the desired result of higher enrolments, an approach that balances demand for university places with the supply basics like classrooms, labs and instructors is crucial. Such an approach cannot be properly developed without effective consultation with provinces and territories.

The weakness of the institutional arrangements is underscored by the way in which the CST is being implemented. Although sound principles were established in 1999 concerning consultation and negotiation under the Social Union Framework Agreement (SUFA) for proposed federal actions that impact significantly on provinces and territories, there have never been any federal-provincial/territorial discussions concerning the CST. It seems clear that it would have been useful to apply the SUFA principles, since the federal decision will have a tremendous impact on the ability of provinces to fund both post-secondary education and social services.

While the level of support is of concern to provinces and territories, there is also a question of whether the CST funding principle is appropriate. Under the Canada Assistance Plan there was an equal sharing between provinces and the federal government of the risk associated with an economic downturn. The block funding model instituted along with the CHST is not responsive to changes in need. If Canada were to enter a recession, the full burden of the increase in social assistance costs would be borne by provinces and territories.

In a recent study on post-secondary education[4], the TD Bank concluded that knowledge has become the most valuable resource of the information age and an increasingly important determinant of wealth worldwide. It has the potential to not only improve Canada's standard of living, but also to significantly narrow income inequalities.

The study argues that Canada is not getting the results it is looking for in terms of post-secondary participation, and that funding seems to be central to the problem. It notes that post-secondary education participation rates are well below those of leading OECD countries.

Concern was expressed about rising student-teacher ratios and a range of issues related to increased tuition fees, much higher student debt loads and increased hours devoted by students to paid work while attending university. In this regard, a recent Statistics Canada study notes that tuition fees in 2000/01 accounted for almost 20% of total university revenue, up from 13% a decade earlier. The TD Bank study notes that, according to OECD statistics, funding from governments in Canada account for less than two-thirds of post-secondary educational institutions revenue compared to the OECD average of 77%.

The study argues that the federal government must work with the provinces to achieve better results and that "...the March 23, 2004 Budget should not throw buckets of new money at more random acts of good intention." In this context, there is a need to ensure adequate core funding within the CST for post-secondary education, rather than more piecemeal programs.

■ Equalization

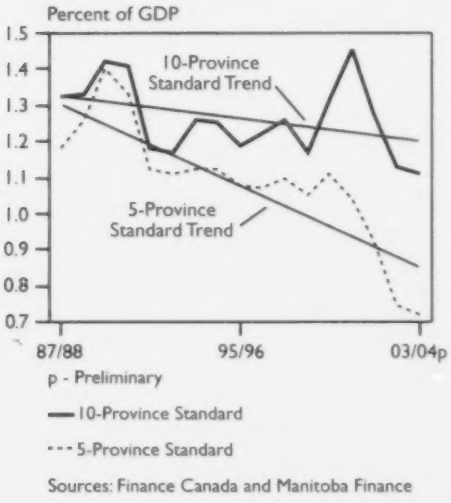
Canada's Equalization Program was introduced to reduce disparities in provincial fiscal capacity so that Canadians have access to "reasonably comparable services at reasonably comparable levels of taxation" no matter where they live in Canada. All provinces, except Ontario, have received payments under the Program at one time or another. These payments are unconditional and are based on the relative capacity of provinces to raise revenue from a broad range of tax bases, including personal and corporation income taxes.

"There is no denying that jobs are being shifted to emerging economies, such as China and India. The only effective response is for Canada to move further up the value-added economic chain. We must compete by being smarter, not by being cheaper through lower wages."

Time to Wise up on Post-secondary Education in Canada
TD Bank Financial Group
Special Report
March 15, 2004

Chart 4

Equalization Entitlements, 1987/88 to 2003/04



p - Preliminary

— 10-Province Standard

- - - 5-Province Standard

Sources: Finance Canada and Manitoba Finance

The Equalization Program resulted in a more equal playing field across the regions in Canada, providing greater equity in terms of the public services available to citizens, as well as a more balanced distribution of economic growth. A recent study by L.S. Wilson makes the case that the Equalization Program has contributed significantly to Canada's economic growth by reducing economically inefficient "fiscally induced migration."[5] Since its inception, per capita fiscal disparities among provinces have narrowed. However, in recent years, modifications to the Program have caused Equalization payments, as a percentage of GDP, to decline markedly (see Chart 4). Moreover, there are signs that fiscal disparities between the provinces are beginning to widen, leading to dislocation of people and skewing business decisions based on assessments of net fiscal benefits – tax loads and service levels – rather than actual economic factors.

At its February 2004 meeting in Vancouver, the Council of the Federation expressed concern that the federal government has not acted on its recommendations to improve the Equalization formula. It is estimated that the long-term cost of restoring the 10-province standard and comprehensive revenue coverage would be in the range of 1.1% of GDP, less than it cost back in 1987/88 when the 5-province standard was completely implemented (see Chart 4). In this regard, it should be noted that the Conference Board's study already assumes a higher level of support for Equalization (0.9% of GDP) than is currently being funded by the federal government (0.7% of GDP). As a result, the incremental cost of fully implementing the package of reforms called for by the Council would likely be about $3 billion annually – an amount that could be accommodated within projected federal surpluses.

Shared or Tied-Cost Funding Programs

Since the late 1990s, the federal government has increasingly utilized tied-cost funding as a preferred method of implementing new programs and initiatives that fall under provincial/territorial jurisdiction. This accounted for much of the increase in transfers outside of Equilization and CHST (see Chart 5). In a few very specific circumstances, these programs have proven to be quite successful and were welcomed by provinces, however, in many circumstances they were not.

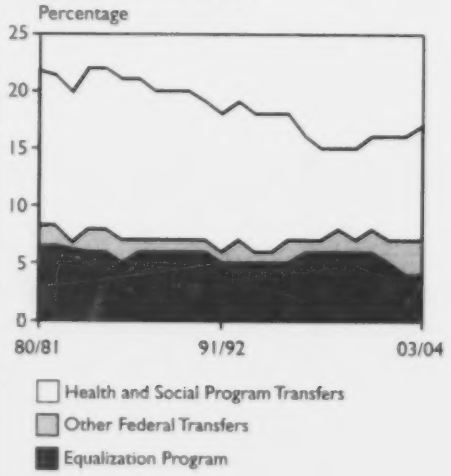
Concern over tied-funding arises primarily because many tied-funding programs have been implemented without provincial consultation or negotiation, even though they affect the provision of services for which provinces have constitutional responsibility. While these programs may be of some merit, participation in them commits provinces to ongoing expenditures. They often include "sustainability" clauses that require the provinces to administer and carry forward these programs long after the federal financial commitment has ended. The arrangements often tend to be relatively inflexible and may not permit the use of more efficient and effective delivery mechanisms.

Since all provinces and territories are hard-pressed to maintain, let alone improve, the major social programs for which they are responsible, there is a sense that funding for these programs distorts spending priorities, and often comes at the expense of funding that could be used for core services, for which there is a clear need. Many of the initiatives could have been accommodated and more efficiently administered through existing provincial programs rather than introducing new "boutique programs."

The public promotion of these new programs, combined with the observed inclination of the

Chart 5

Federal Transfers as a Percentage of Provincial/ Territorial Expenditure, 1983/84 to 2003/04



Source: Finance Canada and Manitoba Finance

Tied-cost programs have the potential to worsen fiscal imbalances among the less affluent provinces, who either cannot afford to take full advantage of the programs or are "induced" to do so at the expense of core program funding, tax cuts or debt reduction.

federal government to approach community organizations and municipal governments prior to engaging in discussions with provinces, strengthens both public demand and expectations, making it more difficult for provinces to resist participation.

Tied-cost programs have the potential to worsen fiscal imbalances for the less affluent provinces, who either cannot afford to take full advantage of the programs or are "induced" to do so at the expense of core program funding, tax cuts or debt reduction. With most provinces having difficulty just balancing their budgets in 2004/05, the lack of discretionary revenue threatens to widen the disparity between them and the more affluent provinces.

As noted above, the instances where shared-cost programs have worked are those in which the intent and spirit of the principle underlying SUFA have been honoured. In this regard, it is clear that the federal, provincial and territorial governments have agreed on how to constructively work through funding priorities; the challenge is to actually follow through on them.

■ Affordability

In the long run, our country's capacity to meet the priorities of its citizens is limited by growth in our economy. Fiscal arrangements that overburden the country with taxes, saddle one order of government with unnecessarily large debt loads or constrain efforts to promote productivity and growth, stand in the way of achieving better living standards and a higher quality of life for all Canadians.

While provincial governments recognize that managing the health care system is in many ways the single most important job they do on behalf of their citizens, it is clearly not the only one. Canadians also value economic well-being, job opportunities, safe communities and a healthy environment. With health care costs outstripping the ability of provincial governments

to fund it out of current revenues, a dangerous and untenable situation is evolving. As noted above, other economic and social programs contribute to productivity growth and are key to future improvements in our standard of living. However, health care demands are currently crowding out needed funding for these other important programs.

Conference Board Study

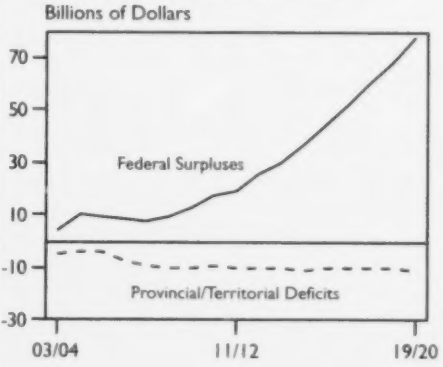
In February 2004, the Conference Board of Canada released a study titled Fiscal Prospects for the Federal and Provincial/Territorial Governments. The study addressed the question of what the budget situations would be for both orders of government in the absence of any changes in policy out to 2020. The results provide a baseline from which governments collectively can weigh both federal and provincial/territorial priorities and make alternative policy decisions.

It is evident from the study that the fiscal prospects for the federal and provincial governments are quite divergent. In the absence of significant policy changes, the federal government's fiscal surplus will rise steadily over the next 17 years, reaching $78 billion by 2019/20. Over the same period, the Conference Board calculates that a structural imbalance between revenues and expenditures facing provinces and territories could result in chronic deficits. According to the study, provinces and territories would collectively post negative budgetary balances throughout the forecasting period. These would rise sharply over the next five years and remain stuck in the $10-11 billion range. By 2019/20, the fiscal imbalance between the two orders of government widens to $89 billion (see Chart 6).

While the prospect of ongoing deficits is disconcerting to provinces and territories, the size of potential federal surpluses indicates that, taken as a whole, there is more than enough revenue

Chart 6

Fiscal Imbalance between Federal and Provincial/ Territorial Governments



Sources: Conference Board of Canada

By 2019/20 the fiscal imbalance between the two orders of government widens to $89 billion.

> **"Only the federal government will have the financial capacity to implement new initiatives, such as tax cuts and new discretionary program spending. ...In contrast, the provinces and territories will have no leeway to implement new policy initiatives over the next two decades; as a collective group, they will neither be able to increase spending, nor cut taxes, without falling deeper into debt."**
>
> Conference Board of Canada
> Fiscal Prospects for the Federal and Provincial/Territorial Governments
> Update February 2004

being collected to sustain programs and balance the budgets of both the federal and provincial governments without increasing taxation. Given the magnitude of its surpluses, the federal government has the capacity to address not only the imbalances between it and the provinces, but also those among provinces. The Board's study underscores the fact that these issues can be readily addressed at the same time as federal goals, like debt reduction, are achieved.

One message from the study that must inform the Health Summit and the First Ministers' Meeting on Health Reform and Sustainability, is that health care costs are on a track that provincial treasuries alone cannot sustain. Even with prudent management, these costs are expected to increase by 5.2% per year over the next two decades, and to consistently exceed provincial revenue growth by 1 to 1.5%. Health care costs that grow faster than the economy cannot be sustained indefinitely and would overwhelm the resource capacity of both orders of government. In this regard, the consequences of the federal decision to only provide half of what Romanow said was needed to reform the health care system, if left unaddressed, will be felt for decades to come. Providing adequate funding for health care reform is necessary in order to accelerate the restructuring of the health care system and lower its growth trajectory.

Without a substantial increase in the federal share of funding for health care, the resulting deficits would result in more resources being siphoned off to service debt. This means that even less will be available, after addressing health care pressures, to deal with other important economic and social priorities. If these necessary investments in human and capital infrastructure are not made, Canada may well find itself in a negative loop in which flagging productivity constrains our long-term growth prospects, and in turn our ability to meet the increased health care obligations associated

with an ageing population. Crowding out is clearly not just an abstract concern, but one vital to fiscal arrangements and future economic health.

It is also worth noting that the Conference Board thinks that the impact of an ageing population on health care costs may be greater in the years beyond the time frame of the study. This is because the majority of baby boomers will not have reached 65 by 2020, and thus, the peak demand pressure on the health care system will likely come after the period covered by the study.

Fiscal Equilibrium in the Canadian Federation

Citizens of Canada understand that taxes are taxes, regardless of whether they are paid to their federal or provincial government, and that if the Conference Board's analysis is correct, they already pay enough to cover the cost of running all orders of government. The inability of the federal and provincial/territorial governments to agree on an efficient revenue allocation is a result of the lack of effective institutions to sort out and meet the priorities of Canadians.

... federal funding should be part of base funding, and not part of what is left over at the end of the fiscal year

The creation of the Council of the Federation could play an important role in strengthening the federation. Building on this initiative, arrangements need to be developed to expand the dialogue to include the federal government. The Premiers' recommendation that annual First Ministers' meetings be held would be a good start. Manitoba is pleased that Prime Minister Martin has committed to meet with Premiers and address the health care sustainability issue.

With the first of the baby boom generation soon approaching retirement age, there is a pressing need to agree on what must be done and a timetable for doing it. In this regard, shared priorities need to be treated as such. For example, in its approach to health care, the federal government should ensure

that funding is on a first, not last, dollar basis. This would be consistent with the Premiers' perspective that federal funding should be part of base funding, and not part of what is left over at the end of the fiscal year.

The demographic forces at play in our country and indeed throughout western economies are such that Canada can no longer afford "policy drift." Missed opportunities to achieve efficient allocation of resources to public priorities are becoming increasingly costly for our country in terms of both our standard of living and quality of life. At their February 2004 meeting of the Council of the Federation, Premiers stated in regard to our number one priority that "...it is imperative that Canadians understand that without real reform and renewal and an affordable foundation, health care as we know it will not survive the decade."

The March 23, 2004 federal Budget did not provide provinces with any additional funding to help cover the cost of health care or other major social programs. As well, despite working over the past five years for improvements in the Equalization Program, no substantive progress was offered in the current renewal. Against this background, the federal government announced that it will begin working on a 10-year plan to ensure financial stability for the health care system in time for the Prime Minister's meeting with Premiers this summer.

Rather than working in silos on this common cause, Manitoba invites the federal government to work with provinces and territories to give substance to the principles of effective fiscal arrangements, and to work as partners in developing a comprehensive and viable financing plan for reform and sustainability, not only for health care, but also for other social programs and Equalization.

Appendix A:

Details of the 2003 Health Financing Arrangement

	2003/04	2004/05	2005/06	3-Year Total
	(Billions of Dollars)			
Previously Announced Base Funding				
CHST Increase	0.7	1.3	1.9	3.9
New Funding to Provinces/Territories				
One-Time Funding				
CHST Supplement	1.0	1.0	0.5	2.5
Additional CHST Supplement[1]	2.0			2.0
Diagnostic/Medical Equipment Fund	0.5	0.5	0.5	1.5
Total One-Time Funding	3.5	1.5	1.0	6.0
Ongoing Funding				
Health Reform Fund	1.0	1.5	3.5	6.0
Total New Funding	4.5	3.0	4.5	12.0
Funding for the Federal Government's Own Programs				
Total Federal Own Programs[2]	1.0	1.1	1.3	3.4
Total Federal Announcements	6.2	5.4	7.7	19.3

[1] The Additional CHST Supplement of $2 billion was made available to provinces and territories in 2003/04.

[2] Includes information technology, research hospitals, First Nations health and other federal health initiatives and priorities.

- The 2003 Health Financing Arrangement did not provide provinces and territories with any new money in the CHST base to fund core medical services, beyond that which was previously announced in the federal government's October 2000 Economic Statement and Budget Update.
- The CHST Supplement ($2.5 billion), the additional CHST Supplement ($2 billion) and the Diagnostic/Medical Equipment Fund ($1.5 billion) are one-time funds. Thus $6 billion, or half of the total $12 billion in new funding was one-time and not built into the base.
- The federal government provided $7.5 billion over three years for health reform. Of this total, $6 billion is ongoing related to the Health Reform Fund, and $1.5 billion is one-time funding related to the Diagnostic/Medical Equipment Fund. Federal funding for health reform is only half of the $15 billion recommended in the Romanow Report; there is a $7.5 billion shortfall which is termed the "Romanow Gap."

Appendix A:

Details of the 2003 Health Financing Arrangement

	2003/04	2004/05	2005/06	3-Year Total
		(Billions of Dollars)		
Previously Announced Base Funding				
CHST Increase	0.7	1.3	1.9	**3.9**
New Funding to Provinces/Territories				
One-Time Funding				
CHST Supplement	1.0	1.0	0.5	**2.5**
Additional CHST Supplement[1]	2.0			**2.0**
Diagnostic/Medical Equipment Fund	0.5	0.5	0.5	**1.5**
Total One-Time Funding	3.5	1.5	1.0	**6.0**
Ongoing Funding				
Health Reform Fund	1.0	1.5	3.5	**6.0**
Total New Funding	4.5	3.0	4.5	**12.0**
Funding for the Federal Government's Own Programs				
Total Federal Own Programs[2]	1.0	1.1	1.3	**3.4**
Total Federal Announcements	6.2	5.4	7.7	**19.3**

[1] The Additional CHST Supplement of $2 billion was made available to provinces and territories in 2003/04.

[2] Includes information technology, research hospitals, First Nations health and other federal health initiatives and priorities.

- The 2003 Health Financing Arrangement did not provide provinces and territories with any new money in the CHST base to fund core medical services, beyond that which was previously announced in the federal government's October 2000 Economic Statement and Budget Update.
- The CHST Supplement ($2.5 billion), the additional CHST Supplement ($2 billion) and the Diagnostic/Medical Equipment Fund ($1.5 billion) are one-time funds. Thus $6 billion, or half of the total $12 billion in new funding was one-time and not built into the base.
- The federal government provided $7.5 billion over three years for health reform. Of this total, $6 billion is ongoing related to the Health Reform Fund, and $1.5 billion is one-time funding related to the Diagnostic/Medical Equipment Fund. Federal funding for health reform is only half of the $15 billion recommended in the Romanow Report: there is a $7.5 billion shortfall which is termed the "Romanow Gap."

Appendix B: Splitting the CHST

There is broad support for the federal government's decision to implement the recommendation of the Romanow Commission and split the CHST into separate health (CHT) and social (CST) transfers in order to increase transparency and accountability to the public. While the principle is sound and broadly supported, the manner in which the split has been made creates serious concerns with respect to funding for post-secondary education and social services, in particular.

Base Federal Funding of Major Social Programs, 1994/95 to 2007/08

(Billions of Dollars)

	EPF/CAP		CHST	CHT/CST			
	1994/95	1995/96	Years	2004/05	2005/06	2006/07	2007/08
Health	8.1	8.0	....	12.7	13.0	13.4	13.8
Other Social Programs	10.6	10.5	....	7.9	8.2	8.5	8.8
Total	18.7	18.5	....	20.6	21.2	21.9	22.6

Note: Estimates do not include funds provided by the federal government in respect of health care reform.
Source: Finance Canada

Prior to the creation of the CHST, federal support for health and post-secondary education was provided as a block transfer through Established Programs Financing (EPF) transfers, while support for social services was provided on a 50:50 cost-sharing basis through the Canada Assistance Plan (CAP).

The table above compares federal cash funding levels for health under EPF and the new CHT. It also shows federal cash funding for post-secondary education and social services, as it existed under EPF and CAP, compared with the new CST. Since there was no separate accounting of individual

program support under the CHST, no figures are available for the 1996/97 through 2003/04 period.

As the table shows, federal cash transfers for major social programming (CHT plus CST) will be $20.6 billion in 2004/05, or $1.9 billion higher than in 1994/95. This "net" increase is actually comprised of an increase in funding for health of $4.6 billion, and a reduction in funding for post-secondary education and social services of $2.7 billion. This means that about 60% of the apparent increase in federal support for health care comes at the expense of its commitment to social services and post-secondary education.

The $7.9 billion provinces and territories are to receive in 2004/05 through the CST is the same amount they received in 1988/89. Beyond the fact that the real value of this transfer has been eroded by inflation, the transfer puts additional responsibilities on provinces and territories for delivering services in respect of early childhood development.

The decision of the federal government to reallocate funds away from post-secondary education and social services to raise its share of funding for health care is contrary to the explicit recommendations of the Romanow Commission; "In addressing the apparent deficit in health funding, that deficit should not be passed on to post-secondary education and social assistance." [6]

[1] Conference Board of Canada, Fiscal Prospects for the Federal and Provincial/Territorial Governments, February 2004

[2] Building on Values, Final Report of the Commission on the Future of Health Care in Canada. Roy J. Romanow Q.C., Commissioner. November 2002

[3] The Health of Canadians – The Federal Role. Volume Six: Recommendations for Reform. Final Report on the state of the health care system in Canada. Standing Senate Committee on Social Affairs, Science and Technology. The Honourable Michael J. L. Kirby, Chair. October 2002

[4] Time to Wise up on Post-secondary Education in Canada, TD Economics Special Report, March 15, 2004

[5] Wilson, L.S., Equalization, Efficiency and Migration; Watson Revisited, Canadian Public Policy XXIX no. 4. December 2003. pp. 385-396

[6] Building on Values: Final Report of the Commission on the Future of Health Care in Canada, p. 69

Budget Paper D

TAXATION ADJUSTMENTS

TAXATION ADJUSTMENTS

Contents

Summary of 2004 Tax Measures 1

Education Support Levy 2

Retail Sales Tax 2

Corporation Capital Tax 2

Tobacco Tax 2

Liquor Markups 3

Motive Fuel Tax 3

Land Transfer Tax 3

Corporation Income Tax 4

- Tax Rates 4
- Film and Video Production Tax Credit 4
- Odour Control Tax Credit 5
- Income Tax Credits 5

Changes Pursuant to the Tax Collection Agreement 6

- Personal Tax Measures 6
- Business Tax Measures 6

Technical and Administrative Measures 7

Further Information 8

Personal Tax Savings since 1999 9

Manitoba Income Tax Savings for Typical Taxpayers 10

Manitoba Income Taxes since 1999 11

2004 Interprovincial Comparison of Tax Rates 12

Appendix: Tax Expenditures 2003/04 14

Summary of 2004 Tax Measures

	2004/05	Full Year
	(Millions of Dollars)	
Previously Announced Tax Reductions[1]		
Personal Tax Reductions	(39.0)	(39.0)
Business Tax Reductions	(11.8)	(23.7)
Net Change, Previously Announced	**(50.8)**	**(62.7)**
2004 Budget		
Education Support Levy	(10.0)	(10.0)
Retail Sales Tax	17.2	23.9
Corporation Capital Tax	13.5	11.0
Tobacco Tax	13.3	14.0
Liquor Markups	10.0	10.0
Motive Fuel Tax	2.9	3.2
Land Transfer Tax	0.9	1.0
Corporation Income Tax		
Tax Rates	0.0	(16.0)
Film and Video Production Tax Credit	0.0	(9.2)
Odour Control Tax Credit	(0.5)	(3.0)
Changes Pursuant to the Tax Collection Agreement		
Personal Tax Measures	(1.0)	(1.0)
Business Tax Measures	(1.5)	(4.1)
Technical and Administrative Measures	2.0	2.6
Net Change 2004 Budget	**46.8**	**22.4**
Net Change 2004/05 and Subsequent Years	**(4.0)**	**(40.3)**

[1] Previously announced tax reductions are those that were announced in previous Budgets to take effect in 2004 or later years. These are: (a) Personal Income Tax middle bracket cut to 14.0% on January 1, 2004; (b) general Corporation Income Tax (CIT) cut to 15.5% on January 1, 2004 and 15.0% on January 1, 2005; and (c) CIT small business threshold increase to $360,000 in 2004 and $400,000 in 2005.

Education Support Levy

(2004/05 collections impact: -$10.0 million)

The Education Support Levy (ESL) is a province-wide property tax. In Budget 2002, Manitoba made a commitment to eliminate the residential ESL over a period of five years, without affecting revenue to school divisions.

For 2004 property tax statements, the residential mill rate falls 13.6% from 5.28 mills to 4.56 mills. (For technical reasons, the new rate may be slightly different in the City of Winnipeg.) The new mill rate is 42% lower than the mill rate in 2001.

The total amount of residential ESL collected falls from $73.0 million to $63.0 million, bringing total ESL annual savings to $37.1 million since 2002.

Retail Sales Tax

(2004/05 revenue impact: $17.2 million)

Effective July 1, 2004, Retail Sales Tax will be applied to certain legal, accounting, architectural, engineering, security and private investigation services. Currently, most provinces apply sales tax to these services. As well, the federal GST applies to these services.

Corporation Capital Tax

(2004/05 revenue impact: $13.5 million)

For bank, trust and loan corporations, the Corporation Capital Tax base will be expanded to include subordinated debt in the calculation of taxable paid-up capital. Subordinated debt is an unsecured debt that is secondary to claims by secured creditors.

The federal government, Saskatchewan, Ontario and Quebec include subordinated debt in the calculation of Corporation Capital Tax for bank, trust and loan corporations.

This change is in effect for fiscal years ending after April 19, 2004.

Tobacco Tax

(2004/05 revenue impact: $13.3 million)

For health and revenue reasons, the Tobacco Tax rate is being increased effective midnight, April 19, 2004. The tax rate on cigarettes will rise from 15.5¢ to 17.5¢ per cigarette; on fine-cut tobacco, from 14.5¢ to 16.5¢ per gram; and on raw leaf tobacco, from 13.0¢ to 15.0¢ per gram.

The tax rate on cigars increases from 60% to 75% of the retail price. The tax is capped at $5 per cigar, consistent with the caps in the other Western provinces.

Liquor Markups

(2004/05 revenue impact: $10.0 million)

Liquor markups will be adjusted to provide an additional $10.0 million.

Motive Fuel Tax

(2004/05 revenue impact: $2.9 million)

The tax rate on diesel fuel will increase 0.6¢ per litre to 11.5¢ per litre, effective midnight, April 30, 2004. This will equalize the Diesel Fuel Tax rate with the Gasoline Tax rate. Manitoba's Diesel Fuel Tax rate will remain the second-lowest of all provinces.

Land Transfer Tax

(2004/05 revenue impact: $0.9 million)

Land Transfer Tax rates will change as follows:

Value of Property	To	From
On the first $30,000	0.0%	0.0%
On the next $60,000 (i.e. $30,001 to $90,000)	0.5%	0.5%
On the next $60,000 (i.e. $90,001 to $150,000)	1.0%	1.0%
On the next $50,000 (i.e. $150,001 to $200,000)	1.5%	1.5%
On amounts in excess of $200,000	2.0%	1.5%

The revised rate schedule applies to the tendering of transfers at Land Titles Offices commencing May 17, 2004. Conveyances of title between spouses, between common-law partners, to registered charities, and other exempt transfers remain unaffected by this change.

■ Corporation Income Tax

Tax Rates

(2004/05 revenue impact: nil)

This Budget announces that the general Corporation Income Tax rate will decrease from 15.0% to 14.5%, and the small business rate will decrease from 5.0% to 4.5%. Both changes will take effect after 2005. These decreases represent a continuation of reductions that commenced in 2002.

Reduction in Corporation Income Tax Rates since 1999

Taxable Income	1999	2004	2005	after 2005
Up to $200,000	8%	5%	5%	4.5%
$200,001 to $360,000	17%	5%	5%	4.5%
$360,001 to $400,000	17%	15.5%	5%	4.5%
Over $400,000	17%	15.5%	15.0%	14.5%

Film and Video Production Tax Credit

(2004/05 revenue impact: nil)

This Budget introduces the following four enhancements to the Manitoba Film and Video Production Tax Credit.

- The Credit, currently scheduled to expire March 2, 2005, is extended for three years to March 1, 2008.
- A frequent filming incentive for returning producers will now be provided. Where a corporation produces three eligible films in two years, the company will earn a 5% additional Credit on eligible salaries paid with respect to the third qualifying production. To be eligible for the incentive, principal photography for the third production must commence after April 19, 2004, and principal photography on the previous two eligible films must not have been substantially completed before April 20, 2003.
- To encourage production activity throughout Manitoba, a 5% incentive is introduced on eligible salaries paid for work performed in Manitoba on productions where at least 50% of filming days take place outside of Winnipeg. Principal photography on an eligible film must commence after April 19, 2004 to qualify for the rural and Northern incentive.
- The restriction that corporations cannot hold or be associated with a corporation that holds a CRTC broadcast licence is removed. This change is in effect for applications received after April 19, 2004.

The Credit was introduced in 1997 and is equal to 35% of eligible salaries paid for work performed on an eligible film. With the frequent filming incentive and the rural and Northern incentive, a film that meets all program criteria may earn a 45% credit.

When fully implemented, the above measures will reduce revenue by $9.2 million.

Odour Control Tax Credit

(2004/05 revenue impact: -$0.5 million)

This Budget introduces an Odour Control Tax Credit to encourage businesses to implement measures to control nuisance odours arising from their activities. The Odour Control Tax Credit is a non-refundable, 10% income tax credit that reduces Manitoba Corporation Income Tax otherwise payable. The Credit applies to eligible expenditures made prior to January 1, 2007.

Eligible expenditures include expenses incurred and paid for the purpose of preventing, reducing or eliminating nuisance odours that arise or may arise from the use or production of organic waste. The expenditure must be on capital property, and incurred for the purpose of earning income from a business or property. Typical expenditures might include lagoon covers, straw cannons or filters. Eligible expenditures will be prescribed or certified by the Province before the Credit can be earned.

The odour that is being emitted, or that would be emitted if the expenditure were not undertaken, from the waste need not be toxic or noxious (i.e. harmful to a person's health). Also, the odour need not be attributable or related to air or water pollution.

The Department will seek input on whether the Credit should be extended to other categories of expenditures for this purpose.

Income Tax Credits

(2004/05 revenue impact: nil)

Tax credits earned in a year can typically be carried back three years or carried forward seven years. Similarly, non-capital losses can be carried back three years or carried forward seven years.

Commencing with the 2004 tax year, the non-capital loss carry-forward period will be extended from 7 years to 10 years. The additional three-year period gives taxpayers who have non-capital losses greater flexibility to plan their affairs.

In addition, the seven-year carry-forward period will be extended to 10 years for the following Manitoba income tax credits:

- the Manufacturing Investment Tax Credit;
- the Research and Development Tax Credit; and
- the Community Enterprise Development Tax Credit.

Furthermore, this Budget announces that the Co-operative Education Tax Credit, introduced in 2003, will now have a three-year carry-back or 10-year carry-forward provision.

■ Changes Pursuant to the Tax Collection Agreement

These measures parallel changes to the federal income tax system announced in the 2004 federal Budget.[2]

Personal Tax Measures

(2004/05 revenue impact: -$1.0 million)

Commencing with the 2004 tax year, the following measures will benefit Manitobans:

- extending the Education Tax Credit to employees who pursue career-related studies at their own expense;
- creating a deduction to recognize the costs of disability-related supports incurred by persons with disabilities for the purposes of employment or education;
- improving tax recognition of medical and disability-related costs incurred by caregivers on behalf of disabled persons;
- extending the temporary Mineral Exploration Tax Credit for flow-through share investors for one year to the end of 2005; and
- exempting employment income earned (up to prescribed limits) by military or police personnel serving on high-risk deployed operational missions outside Canada from income tax.

Business Tax Measures

(2004/05 revenue impact: -$1.5 million)

Commencing with the 2004 tax year, the following measures will benefit Manitoba businesses:

- improving the capital cost allowance system for computer equipment from 30% to 45%, and for data network infrastructure equipment from 20% to 30%; and
- denying the deductibility of government fines and penalties.

[2] Manitoba has voluntarily entered into a Tax Collection Agreement with the federal government, in which Manitoba agrees to parallel certain federal income tax provisions in return for federal administration and collection of Manitoba income taxes.

■ Technical and Administrative Measures

(2004/05 revenue impact: $2.0 million)

Amendments to various statutes will be introduced, including:

- eliminating commissions paid to larger vendors when remitting Retail Sales Tax;
- increasing late-filing penalties to 10% on all provincially administered tax statutes;
- amending *The Income Tax Act* to permit a fee for registration as a tax rebate discounter;
- extending the Manitoba Drilling Program, broadening the definition of eligible HOV volumes and increasing qualifying production limits;
- amending *The Income Tax Act* to correct certain drafting errors and inconsistencies; and
- repealing *The Manitoba Foundation Act*, since all gifts, whether to the Crown or to a registered charity, are subject now to identical rules, and the Foundation has not received any gifts since 1997.

As well, a regulation will be introduced allowing a new intake of applications for the Riparian Tax Credit.

■ Further Information

For further information, view Bulletin No. 104 at the Manitoba Finance Web site : www.gov.mb.ca/finance/taxation, or contact the appropriate office as listed below:

Motive Fuel Tax, Retail Sales Tax, Corporation Capital Tax, Tobacco Tax

Taxation Division
Manitoba Finance
Telephone: (204) 945–5603 in Winnipeg
Telephone: (204) 726–6153 in Brandon
Toll Free: 1–800–782–0318
Facsimile: (204) 945–0896
E-mail: MBTax@gov.mb.ca

Manitoba Film and Video Production Tax Credit

Manitoba Film and Sound Recording Development Corporation
Telephone: (204) 947–2040
Facsimile: (204) 956–5261
E-mail: explore@mbfilmsound.mb.ca

Personal and Corporation Income Tax, Land Transfer Tax

Federal-Provincial Relations and Research Division
Manitoba Finance
Telephone: (204) 945–3757
Facsimile: (204) 945–5051
E-mail: fedprov@gov.mb.ca

Liquor Markups

Communications Manager
Manitoba Liquor Control Commission
Telephone: (204) 474–5631
Facsimile: (204) 475–7287
E-mail: dsoroka@mlcc.mb.ca

Personal Tax Savings since 1999

Personal Income Taxes, Education Property Tax Credits and Education Support Levy

	Implemented in Tax Year:					Cumulative Annual Totals
	2000	2001	2002	2003	2004	
	(Millions of Dollars)					(Millions of Dollars)
Personal Income Tax Reductions						
2000 Budget	9	68	34			111
2001 Budget		29	7	18		54
2002 Budget			15			15
2003 Budget					39	39
Total						220
EPTC Increases; ESL Decreases						
2000 Budget	26					26
2001 Budget		27				27
2002 Budget			10			10
2003 Budget				19		19
2004 Budget					10	10
Total						92
Annual Totals	**35**	**124**	**67**	**37**	**49**	
Cumulative Annual Totals	**35**	**159**	**226**	**262**	**311**	**311**

Totals may not add due to rounding.

Manitoba Income Tax Savings for Typical Taxpayers

Income	Tax in 1999	Tax Savings Since 1999 in 2002	Tax Savings Since 1999 in 2004	5-Year Total	2004 Savings over 1999
		(Dollars)			(Percentage)
SINGLE PERSON					
10,000	178	115	116	473	**65.2**
20,000	1,369	179	178	754	**13.0**
40,000	4,012	335	472	1,550	**11.8**
70,000	9,153	755	1,246	3,582	**13.6**
100,000	14,572	955	1,445	4,511	**9.9**
SENIOR COUPLE*					
30,000	438	221	221	896	**50.7**
40,000	1,634	469	469	1,920	**28.7**
60,000	4,480	620	681	2,628	**15.2**
80,000	7,855	698	963	3,170	**12.3**
FAMILY OF FOUR - ONE EARNER					
25,000	591	375	375	1,525	**63.5**
40,000	2,891	570	708	2,490	**24.5**
60,000	6,625	1,024	1,442	4,606	**21.8**
75,000	9,435	1,174	1,664	5,279	**17.6**
100,000	13,951	1,090	1,580	5,052	**11.3**
FAMILY OF FOUR - TWO EARNERS					
30,000	691	324	324	1,349	**46.9**
40,000	1,453	417	416	1,714	**28.6**
60,000	4,107	654	730	2,789	**17.8**
80,000	7,169	906	1,159	4,009	**16.2**
100,000	10,188	1,017	1,481	4,690	**14.5**

Increased Property Tax Credits are not included in the above examples.

* It is assumed that both spouses receive private pension income and the OAS Pension, with the principal taxfiler receiving 60% of the total private pension amount and the other taxfiler receiving 40% of the total private pension amount.

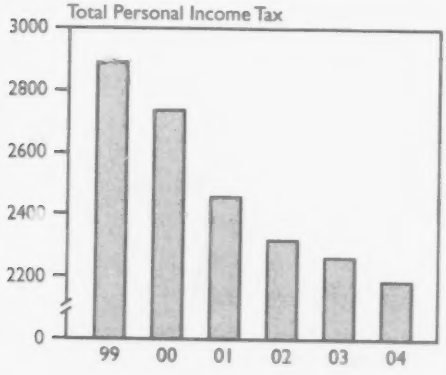
In these tables, it is assumed that single and married taxfilers have earned income and pay Canada Pension Plan and Employment Insurance premiums. In the two-earner couples, it is assumed one earner earns 60% of the income while the other earner earns 40%.

The tax savings drop in 2004 for a single person at $20,000, and a two-earner family at $40,000 because falling Employment Insurance premiums reduce the value of the EI Non-Refundable Tax Credit.

Totals may not add due to rounding.

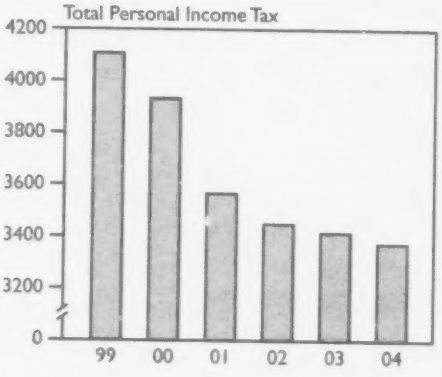
Manitoba Income Taxes since 1999

One-Earner Family of Four at $40,000



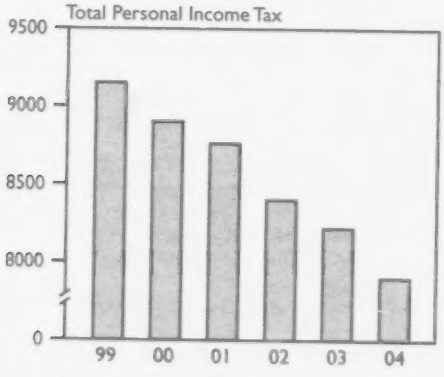
Source: Manitoba Finance

Two-Earner Family of Four at $60,000



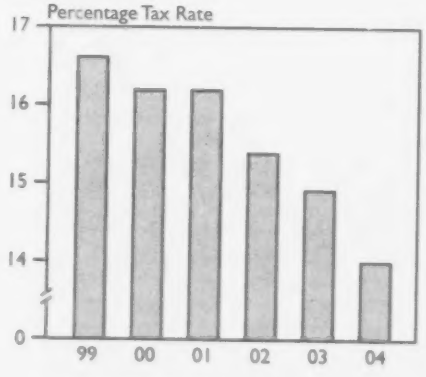
Source: Manitoba Finance

Single Individual at $70,000



Source: Manitoba Finance

History of Middle Bracket Rate Reductions



Source: Manitoba Finance

2004 Interprovincial Comparison of Tax Rates

	BC	AB	SK	MB	ON
Personal Income Tax					
Top Marginal Rate (%) [A]	14.70	10.00	15.00	**17.40**	17.41
Health Care Premiums ($) [B]	1,296	1,056	–	–	–
Corporation Income Tax (%) [C]					
Small Rate	4.50	3.25	5.50	**5.00**	5.50
Large Rate	13.50	11.75	17.00	**15.50**	14.00
Capital Tax (%) [D]	–	–	0.60	**0.30**	0.30
Banks	3.00	–	3.25	**3.00**	0.90
Employer Payroll Tax (%)	–	–	–	**2.15**	1.95
Small Firms [E]	–	–	–	–	–
Sales Tax (%) [F]	7.50	–	7.00	**7.00**	8.00
Diesel Fuel Tax (¢/l) [G] [I]	15.00	9.00	15.00	**11.50**	14.30
Gasoline Tax (¢/l) [G] [I]	14.50	9.00	15.00	**11.50**	14.70
Tobacco Tax (¢/cigarette) [H]	17.90	16.00	17.50	**17.50**	9.85

[A] Top marginal provincial rates on taxable income including surtaxes paid by taxpayers in the highest bracket. For more detailed interprovincial comparisons of personal income, see The Manitoba Advantage.

[B] In QC, Prescription Drug Plan premiums are a maximum of $460 for a single person and $920 for a couple, based on income.

[C] Some provinces apply special rates to certain types of business income. AB's small business rate was reduced from 4.0% to 3.0%, and its general rate was reduced from 12.5% to 11.5%, on April 1, 2004. NB's small business rate will be reduced from 3.0% to 2.5% on July 1, 2004.

[D] MB has a $5 million deduction and imposes a 0.2% surtax on taxable paid-up capital in excess of $10 million. SK has a $17.5 million deduction and applies a 3.6% surcharge on resource corporations. Banks and trust companies in BC with paid-up capital less than $1 billion, and with a head office in BC, pay a rate of 1.0%.

[E] Firms with payrolls of $600,000 or less in NL, $400,000 or less in ON, $1 million or less in MB and QC.

[F] Retail Sales Tax refers to general rate only. QC and PE apply the sales tax on top of GST-inclusive prices. Sales taxes in NB, NS and NL are harmonized with the federal Goods and Services Tax.

[G] Fuel taxes are for regular gasoline and highway diesel fuel. Gasoline and diesel fuel are subject to a transit levy of 6 cents per litre in Vancouver and 1.5 cents per litre in Victoria and Montréal.

[H] Provinces, except BC, AB and PE, also apply sales taxes to tobacco products.

[I] In addition, QST applies in QC, and HST applies in NB, NS and NL.

QC	NB	NS	PE	NL	
					Personal Income Tax
19.22	17.84	16.69	18.37	19.64	Top Marginal Rate (%) [A]
920	–	–	–	–	**Health Care Premiums ($)** [B]
					Corporation Income Tax (%) [C]
8.90	2.75	5.00	7.50	5.00	Small Rate
8.90	13.00	16.00	16.00	14.00	Large Rate
0.60	0.30	0.25	–	–	**Capital Tax (%)** [D]
1.20	3.00	3.00	5.00	4.00	Banks
4.26	–	–	–	2.00	**Employer Payroll Tax (%)**
2.70	–	–	–	–	Small Firms [E]
7.50	8.00	8.00	10.00	8.00	**Sales Tax (%)** [F]
16.20	16.90	15.40	13.50	16.50	**Diesel Fuel Tax (¢/l)** [G] [I]
15.20	14.50	15.50	17.00	16.50	**Gasoline Tax (¢/l)** [G] [I]
10.30	11.75	15.52	17.45	16.00	**Tobacco Tax (¢/cigarette)** [H]

Appendix:
TAX EXPENDITURES 2003/04

Introduction

In order to meet their social, cultural and economic objectives, governments require sufficient revenues, generated primarily through the tax system. Governments use revenues raised through taxation to spend directly on programs designed to meet their objectives.

Governments may also spend indirectly to meet their objectives, using tax expenditures. Tax expenditure accounts identify provisions built into the tax system that provide targeted preferences to prescribed taxpayers.

A tax expenditure is measured as a deviation from a benchmark tax base. The expenditure can be in the form of a deduction, credit, preferential rate, deferral or exemption. Tax expenditures may target taxpayers (e.g. individuals, corporations), activities (e.g. farming, film production, manufacturing), property (e.g. machinery, equipment), sources of income (e.g. pensions), transactions (e.g. RRSP contributions), or events (e.g. involuntary dispositions). Tax expenditures are both diverse and numerous.

Accounting for Tax Expenditures

Tax expenditure accounts can promote accountability and transparency in government programming. Direct expenditure programs are subject to review and approval by the Legislature and are published annually in the Public Accounts. Tax expenditures, on the other hand, are not recorded as individual line items but are absorbed into revenue estimates. Tax expenditures reduce government revenues that would otherwise have been available for various direct expenditures. Therefore, tax expenditure accounts not only help to enhance the visibility of programs but promote public accountability as well.

Limitations of Tax Expenditure Accounting

Tax expenditure accounting has important limitations that must be kept in mind when interpreting the results.

1. The value of each tax expenditure is estimated individually. Interactions between provisions are not taken into account. This has two effects. First, estimates for two or more tax expenditures cannot be added together to arrive at their combined value. Second, changing any one tax expenditure might affect the value of other tax expenditures.
2. The values in the account are estimates. In many cases the value of untaxed activity is not tracked, nor can reliable estimates be made. There are no formal accounting guidelines, meaning estimates cannot be compared across jurisdictions, or to the Estimates of Expenditure.

The first point can best be illustrated by example. Changing something that is a deduction from income (e.g. RRSP contributions) would change reported net income. This in turn would change the value of tax credits, such as Manitoba's Personal Tax Credit, that depends on net income. The combined value of the tax expenditures listed in the account is substantially less than the sum of the individual items.

Reporting Tax Expenditures

Manitoba's tax expenditure accounts are separated into six sections: Personal Income Tax, Corporation Income Tax, Payroll Tax, Retail Sales Tax, Fuel Taxes and Corporation Capital Tax. The estimates are calculated from tax collection data, Statistics Canada and a variety of other sources. The estimates provided are for the 2003/04 fiscal year. They do not include measures announced in the 2004 Budget, or measures announced in previous Budgets for implementation after 2003.

Certain Manitoba Personal Income Tax Credits have the characteristics of tax expenditures but are, in fact, accounted for in Manitoba's Estimates of Expenditure. These Credits are not included in the Tax Expenditures table. For the sake of comparison, these Credits are listed below.

Credit	$ Millions
Education Property Tax Credit (including the homeowners' advance)	176.4
Personal Tax Credit	48.6
School Tax Credit for Homeowners	2.8
Community Enterprise Development Tax Credit	0.6
Political Contribution Tax Credit (for individuals only)	0.6
Riparian Tax Credit	0.1

Manitoba Tax Expenditures, 2003/04

(Millions of Dollars)

(A) PERSONAL INCOME TAX – DEDUCTIONS FROM INCOME

(federal legislation – mandatory under tax collection agreements)

Contributions to RRSPs	124.1
Capital gains inclusion rate	58.4
Contributions to RPPs	55.4
Lifetime capital gains exemption	24.2
Union dues and professional fees	13.1
Social assistance, WCB and OAS/GIS (non-taxable income)	11.2
Child-care expenses	9.4
Northern residents deduction	4.4
Moving expenses	1.5

(B) PERSONAL INCOME TAX – NON-REFUNDABLE TAX CREDITS

(basic credits provided federally and by all provinces)

Basic personal	515.2
CPP/EI	89.9
Charitable donations	42.0
Age	26.8
Spousal	22.4
Tuition fees and education amount ($400/month)	20.8
Medical expenses	15.2
Eligible dependent	12.0
Private pension	9.2
Disability	6.8
Dividend tax credit	1.2
Caregiver	1.2
Student loan interest	1.0
Infirm dependents	0.1

(C) OTHER MANITOBA TAX MEASURES

Personal Income Tax

Labour-sponsored Venture Capital Corporations Tax Credit	5.7
Foreign Tax Credit	2.0
Overseas Employment Tax Credit	0.5
Manitoba Equity Tax Credit	0.2
Mineral Exploration Tax Credit	0.1

Corporation Income Tax

Low rate for small business	78.5
Manufacturing Investment Tax Credit	23.0
Research and Development Tax Credit	9.9
Film and Video Production Tax Credit	4.6
Co-operative Education Tax Credit	0.1

Payroll Tax

$1 million exemption	101.8
Exemption for interjurisdictional common carriers	10.8

Retail Sales Tax Exemptions

Groceries	185.6
Farm machinery and repairs	39.2
Farm and organic fertilizer	20.0
Prescription drugs and medicine	16.2
Farm pesticides and herbicides	15.2
Natural gas for residential heating	13.9
Books, free newspapers and school yearbooks	13.8
Electricity for residential heating	11.6
Medical supplies, appliances and equipment	10.5
Electricity used for manufacturing or mining	9.4
Water supplied by a municipality	9.0
Children's clothing and footwear	8.5
Vehicle trade-ins	7.5
Custom software and computer programming	5.5
Vehicle private buy/sell refunds	5.0
Toll-free calls	4.3
Direct Agents – (manufacturing and service industries, drill bits and explosives used in mining industry)	2.0
Municipal exemptions (including ambulances, fire trucks and related equipment, gravel/sand for own use)	1.4
Feminine hygiene products	1.0
Mobile, ready-to-move and modular homes	0.6
Farm manure slurry tanks and lagoon liners	0.5
Films for public broadcast	0.4
Qualifying geophysical survey and exploration equipment and prototype mining equipment	0.1

Fuel Taxes

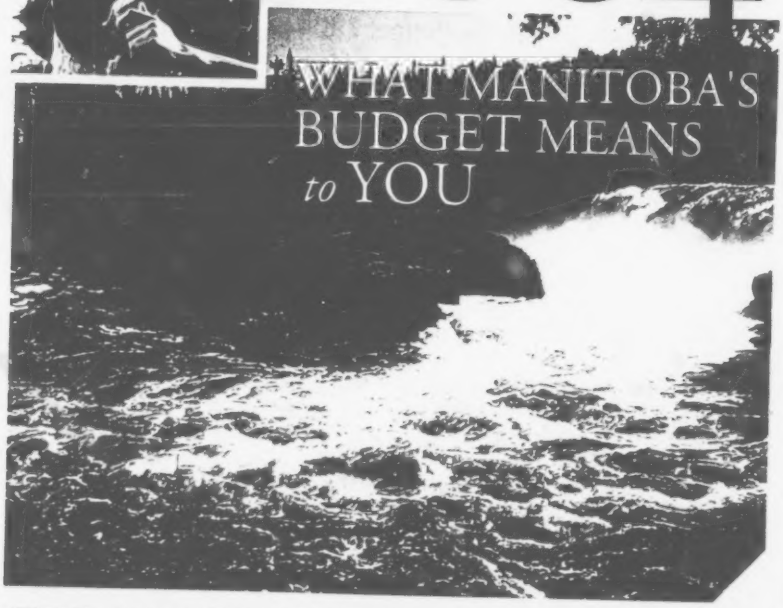
Marked gasoline and diesel	47.2
Gasohol taxed at lower rate	2.1

Corporation Capital Tax

$5 million deduction	29.5
Credit unions and caisses populaires exemption	3.0
Co-operatives exemption	0.6

MANITOBA 2004

WHAT MANITOBA'S BUDGET MEANS *to* YOU



TODAY'S CHALLENGES TOMORROW'S OPPORTUNITIES

Manitoba

Building for the Future

104-04490/

Working Hard on Health Care

Budget 2004 provides a 5.2% funding increase for Manitobans' number one priority – health care. We're moving forward to continue improving the health care services you want and need.

- Budget 2004 provides increased support for hospital and emergency room services.
- New resources are being dedicated for the wait time reduction plan – building on significant reductions already made to MRI and CancerCare Manitoba wait times.
- The number of nurses graduating in Manitoba has tripled since 1999 – this year, resources will be provided to further expand nursing programs.
- The number of doctors has increased each year since 1999 – Budget 2004 allocates $5 million to provide additional education for health professionals.
- Pharmacare will receive $5.6 million more and a strategy will be developed to ensure the program's long-term viability.
- Increased funding will be provided for cardiac care and enhancement of the Health Links telephone service.
- The new department of Healthy Living will focus on programs dedicated to helping Manitobans stay healthy.
- To encourage Manitobans, especially children and youth not to smoke, the tobacco tax will increase – liquor markups will also be adjusted upwards.

Making Young Manitobans a Priority

Affordable education and a thriving economy are key to retaining our youth and helping them to prosper. Budget 2004 will help young Manitobans build tomorrow's opportunities.

- Budget 2004 provides ongoing funding for rebuilding and renovating our schools – since 1999, $288 million has been provided for 8 new and 11 replacement schools, as well as 33 renovations or additions.
- For the fifth straight year, funding for public schools will increase – spending on public schools has increased a total of $105 million since 1999.
- New resources are being dedicated to special-needs education which has increased almost 25% since 1999.
- Overall support for colleges and universities increases by 3.5%.
- The university and college tuition rebate will be retained, keeping post-secondary tuition 10% lower than in 1999.
- Funding will be provided for graduate scholarships to stimulate research-based graduate studies in Manitoba.

Supporting Manitoba Families

Manitobans have told us that funding for families is a priority. Budget 2004 recognizes this priority by preserving and enhancing programs that support Manitobans and their families when they need it most.

- More funds will be allocated for child care – bringing the five-year increase to $26 million and 3,500 new spaces.
- This year's budget provides $12.3 million – an 11% increase – for the Supported Living Program which delivers services to persons with disabilities.
- New resources will be provided for BabyFirst and EarlyStart – programs that support families with young children.
- Budget 2004 allocates funds for a new Children's Therapy Initiative that will improve early access to services such as speech and language therapy.

Maintaining Affordable Government

The Manitoba Government already has one of the lowest per capita operating costs of any Canadian province. This year's budget meets current challenges by further reducing the cost of government operations.

- $30 million will be saved by eliminating 400 civil service positions through attrition.
- The majority of government departments will either reduce spending or hold expenditures below inflation.
- To reduce duplication and administrative costs, Driver and Vehicle Licencing will be housed with Manitoba Public Insurance Corporation and the function of selling and leasing Crown lands will be consolidated into a single agency.
- Debt servicing costs have been reduced by almost $200 million since 1998/99 and are the second-lowest in the country.
- There is no planned draw from the Fiscal Stabilization Fund in 2004 – the first time since 1996.

Investing in Infrastructure

Manitoba's infrastructure is essential to the growth and prosperity of our province and our communities. Budget 2004 provides significant investment for infrastructure improvements across Manitoba.

- Manitoba's five-year, $600 million highway program is now in its third construction season – Budget 2004 adds $10 million for the upcoming season and a further $10 million for next year.
- Twinning of the Trans Canada Highway will finish in 2006, Highway 6 from the Interlake to Northern Manitoba will undergo major resurfacing this summer and twinning of the northeast Perimeter and Highway 59 South will proceed in the next three years.
- The planning phase of the Red River Floodway expansion has begun — when construction starts, it will be one of the largest infrastructure projects in our province's history.
- Major infrastructure projects will proceed in partnership with the City of Winnipeg and the federal government including upgrades to sewage and waste water treatment, construction of the Kenaston underpass and development of a rapid transit system.
- To address current and future infrastructure needs, the tax rate on diesel fuel will be synchronized with the tax rate for gasoline, vehicle registration fees will increase by $23 and an additional levy will be applied to land transfers over $200,000.

Building SAFE and HEALTHY Communities

Budget 2004 recognizes the importance of safe and vibrant communities by providing funding for projects that will foster security, growth and development in neighbourhoods across Manitoba.

- Neighbourhoods Alive! will continue investing in the revitalization of older neighbourhoods in Brandon, Thompson and Winnipeg.
- Additional funding will be provided for libraries in Northern, rural and urban communities.
- The Affordable Housing Initiative is spending $50 million over five years – with $6 million dedicated to northern housing.
- New resources will be made available for provincial policing.
- Funding will be provided to permanently establish Turnabout – a program that helps young offenders positively change their lives.
- Budget 2004 will allocate over $350,000 for a victim notification and tracking system.

Keeping our Economy STRONG and GROWING

Despite serious challenges over the past year, the foundation of Manitoba's economy remains solid and our economic outlook continues to be positive.

- Total net migration into Manitoba hit a 20-year high in 2003 – 1,055 more young people came to Manitoba than left the province last year.
- Since 1999, Manitoba has earned credit rating upgrades from both Moody's Investors Service and the Dominion Bond Rating Service.
- After weathering the 2003 economic slowdown better than most other provinces, Manitoba's real economic growth is forecast to rise to 2.9% for 2004.
- At 5%, Manitoba's 2003 unemployment rate was the lowest in the country.
- Personal disposable income growth of 3.1% outpaced the national average in 2003.

PROTECTING OUR WATER AND ENVIRONMENT

Manitoba is blessed with a clean, natural environment and vast water resources. Budget 2004 provides funds for programs dedicated to responsible management and development of our province's environmental and water resources.

- Manitoba is the first jurisdiction in Canada to recognize the importance of water by establishing a Water Stewardship department dedicated solely to the responsible management and development of water resources.
- Budget 2004 provides support for the Lake Winnipeg Stewardship Board which is developing a plan to reduce harmful nutrients in the lake.
- Funding will be provided for livestock management inspection and enforcement.
- $350,000 will be committed to the responsible development of new cottage lots and campsites across the province and $225,000 will be provided for beach safety.

MAINTAINING TAX RELIEF

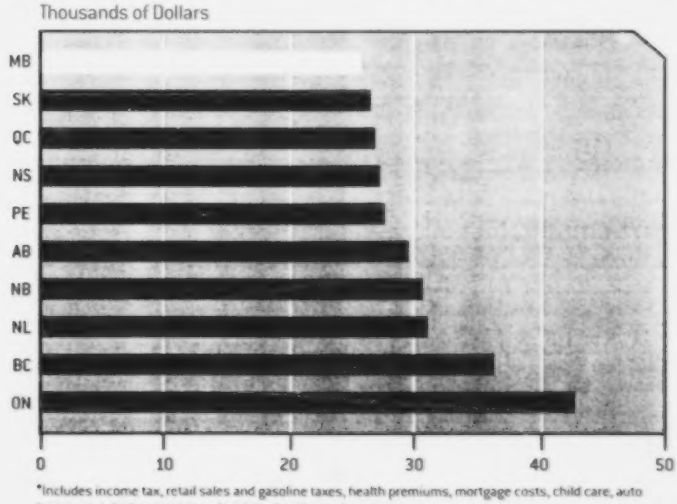
Budget 2004 maintains the commitment to tax relief from the past four budgets.

- The Education Support Levy is being reduced in 2004, providing $10 million in savings — this is the third straight reduction and provides total savings of $159 a year for a home valued at $125,000.
- With the $39 million reduction to personal income taxes made in January 2004, personal tax cuts since 1999 now total more than $300 million annually.
- An increase in income threshold will mean that small business taxes will decrease again this year, bringing business tax reductions since 1999 to $74 million annually – the small business tax rate will also be reduced from 5% to 4.5% after 2005.
- The cuts to general corporation income tax rates continue – from 1999 to 2005, the rate will have fallen from 17% to 15% — it will fall further to 14.5% after 2005.
- The Film and Video Production Tax Credit is being extended for another three years and will include frequent filming and rural and northern filming incentives.
- To help finance broad-based business tax reductions, retail sales tax will be applied to legal, accounting, engineering, architectural and security services – the capital tax base for banking, trust and loan companies will also be aligned with the base used federally and in neighbouring provinces.

MANITOBA'S AFFORDABILITY ADVANTAGE

The lowest combined taxes and living costs in the country

Annual Personal Costs and Taxes — Two-Earner Family of Four Earning $60,000*



*Includes income tax, retail sales and gasoline taxes, health premiums, mortgage costs, child care, auto insurance, telephone service, electricity, heating and property taxes.

Message From the Minister

Budget 2004 provides funding increases for the programs Manitobans have told us are priorities. For the fifth straight year, our government has balanced the budget while making progressive investments in the areas of education, health care, family services and justice.

Despite challenges such as a national slowdown in economic growth, an ongoing gap in federal health care funding and a commitment to pay down provincial debt and pension liabilities, this budget is on track to meet our financial goals.

Budget 2004 addresses today's challenges and builds tomorrow's opportunities by operating an efficient and affordable government that reduces spending in some areas to provide increases in areas you consider most important:

- **continuing to enhance health care services**
- **investing in the future of young Manitobans**
- **funding infrastructure improvements**
- **building safe and vibrant communities**
- **supporting children and families**

In this budget, we have made fair and responsible decisions that will preserve key programs, keep our economy strong and growing and help to build an even brighter future for all Manitobans.

To find out more about Budget 2004, please visit our Web site at **www.manitoba.ca**.

Greg Selinger

Greg Selinger
Minister of Finance

MANITOBA 2004

DISCOURS *du* BUDGET

LES DÉFIS D'AUJOURD'HUI
LES POSSIBILITÉS DE DEMAIN

Manitoba
Bâtir l'avenir

Discours du Budget 2004 du Manitoba

M. Gregory F. Selinger
Ministre des Finances
Le 19 avril 2004

Ce document peut être consulté
sur Internet à l'adresse suivante :
http://www.gov.mb.ca/finance/index.fr.html
Les autres documents sur ce site comprennent :
The 2004 Manitoba Budget Papers,
Le Budget des dépenses du Manitoba de 2004,
Le Budget des recettes du Manitoba de 2004,
Les avantages du Manitoba 2004,
Quaterly Financial Report (le plus récent), et
Highlights of Manitoba's Recent Economic Performance.

Des arrangements spéciaux peuvent être pris pour obtenir des sections
de ce document dans des formats différents
destinés aux personnes atteintes d'une incapacité visuelle.

Also available in English

Imprimé sur papier recyclé

ISSN 1702-8035

LE DISCOURS DU BUDGET 2004 DU MANITOBA

TABLE DES MATIÈRES

UN GOUVERNEMENT À LA MESURE DE NOS MOYENS 2

CONSTRUIRE LE MANITOBA 3

DÉSÉQUILIBRE FISCAL, DURABILITÉ FUTURE 6

SANTÉ 6

ÉDUCATION ET JEUNESSE 10

SOUTENIR LES FAMILLES 13

DES COMMUNAUTÉS PLUS SÛRES 15

BÂTIR NOS COMMUNAUTÉS 17

CONSERVATION ET GÉRANCE DE L'EAU 20

L'ÉCONOMIE MANITOBAINE 23

TIRER PARTI DE NOTRE ATOUT ÉNERGÉTIQUE 25

BÂTIR GRÂCE À LA RECHERCHE ET À L'INNOVATION 26

TAXES ET IMPÔTS 27

NOTRE PLAN FINANCIER 30

CONCLUSION 31

Les documents suivants sont également offerts :

THE BUDGET PAPERS (en un volume)

- Budget Paper A – The Economy
- Budget Paper B – Financial Review and Statistics
- Budget Paper C – Restoring Fiscal Balance
- Budget Paper D – Taxation Adjustments

LES AVANTAGES DU MANITOBA

LES DÉFIS D'AUJOURD'HUI, LES POSSIBILITÉS DE DEMAIN

Merci, Monsieur le Président.

J'ai le privilège de vous présenter le Budget 2004 du Manitoba, un budget qui relève les défis d'aujourd'hui tout en mettant à profit notre plan à long terme, à savoir la croissance et la création de nouvelles possibilités.

Le Budget 2004 est un budget équilibré. Il est axé sur les priorités des Manitobains et Manitobaines. Il relève directement les défis auxquels le Manitoba fait face :

- le ralentissement de la croissance économique nationale observé cette année;
- une réduction de 104 millions de dollars du financement accordé par le gouvernement fédéral au système de soins de santé du Manitoba;
- la responsabilité de poursuivre le remboursement de la dette et de l'obligation provinciale découlant des régimes de retraite, tout en protégeant le Fonds de stabilisation des recettes.

Le Budget 2004 poursuit notre plan qui a valu au Manitoba deux améliorations de sa cote de crédit. Au cours des cinq dernières années, nous avons géré le budget de manière judicieuse et à la mesure de nos moyens, en respectant les dispositions législatives sur l'équilibre budgétaire, en préparant l'avenir et en réduisant les taxes et les impôts, ainsi que la dette et l'obligation provinciale découlant des régimes de retraite.

Pour la première fois depuis 1996, le Budget ne prévoit aucun retrait du fonds de réserve pour les temps difficiles et continue de consacrer des fonds, soit 96 millions de dollars, au remboursement de la dette et de l'obligation provinciale découlant des régimes de retraite. De plus, le Budget 2004 respecte notre engagement d'alléger les taxes et les impôts de la population manitobaine.

Monsieur le Président, les habitants du Manitoba sont toujours aux prises avec les défis d'une année qui s'est avérée très difficile : la crise résultant de la maladie de la vache folle, une saison d'incendies de forêts qui, sauf une, a été la pire jamais enregistrée dans l'histoire du Manitoba, l'essor soudain du dollar canadien, la sécheresse qui s'est abattue sur les agriculteurs de la province et le bas niveau d'eau qui a eu des conséquences pour Hydro-Manitoba.

Toutes ces pressions ont eu pour effet de ralentir notre économie. Selon les prévisions, l'économie du Manitoba devait s'accroître de 3 % au début de 2003, mais elle affichait une hausse de seulement 1,9 % à la fin de l'exercice. Le taux de croissance nationale a connu une baisse encore plus importante.

Les défis de 2003 ont eu un impact sur tous les Manitobains et Manitobaines, et sur les finances provinciales aussi.

Alors que d'autres provinces ont remis à plus tard l'allègement fiscal qu'elles avaient promis à leurs contribuables ou ont coupé leurs investissements

dans leurs infrastructures et programmes essentiels, nous avons multiplié les efforts afin de tenir les engagements annoncés au cours des quatre budgets précédents.

Tel que promis, la Province a investi dans les priorités de la population manitobaine, à savoir la santé publique, l'éducation et les services de soutien destinés aux enfants et aux familles.

Tel que promis, nous avons réduit de 301 millions de dollars les impôts sur le revenu des particuliers.

Tel que promis, nous avons affecté 480 millions de dollars au remboursement de la dette, y compris 96 millions dans le Budget d'aujourd'hui.

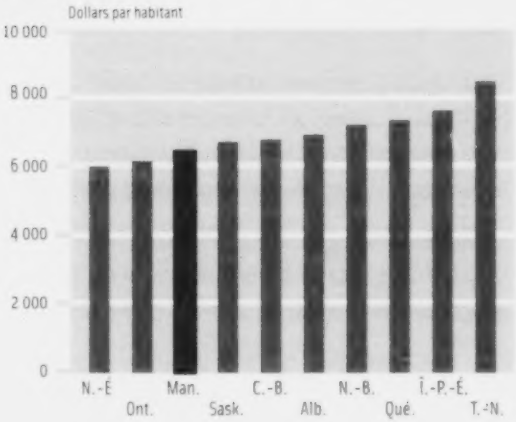
Nous avons tenu nos engagements, car c'est le meilleur investissement que nous pouvons offrir aux Manitobains et aux Manitobaines d'aujourd'hui et de demain.

Un gouvernement à la mesure de nos moyens

Afin de continuer à bâtir l'avenir, le gouvernement doit rester à la mesure de nos moyens. Le Manitoba se classe au troisième rang des provinces canadiennes ayant les dépenses globales par personne les moins élevées.

Le Budget 2004 maintient notre engagement à vivre selon nos moyens, et ce, en introduisant de nouvelles mesures pour réduire les frais d'administration, tout en maintenant les services de première ligne.

Dépenses totales par province 2003 - 2004



Sources : Statistique Canada et les états financiers des gouvernements provinciaux mis à jour en milieu d'exercice.

Le Budget 2004 met en branle un plan visant à éliminer 400 postes gouvernementaux, ce qui permettra d'épargner plus de 30 millions de dollars en salaires et dépenses connexes. Nous prévoyons réaliser ces économies par attrition, et non en effectuant des mises à pied. De plus, tous les ministères ont reçu la directive de réduire leurs dépenses discrétionnaires jusqu'à un maximum de 7 %.

Nous croyons qu'il faut respecter les conventions collectives établies avec les employés du secteur public. En même temps, nous préconiserons des coûts salariaux modérés, conformes au faible coût de la vie au Manitoba.

Dans le Budget 2004, 12 ministères, soit la majorité, réduisent leurs dépenses ou les maintiennent au-dessous du taux de l'inflation.

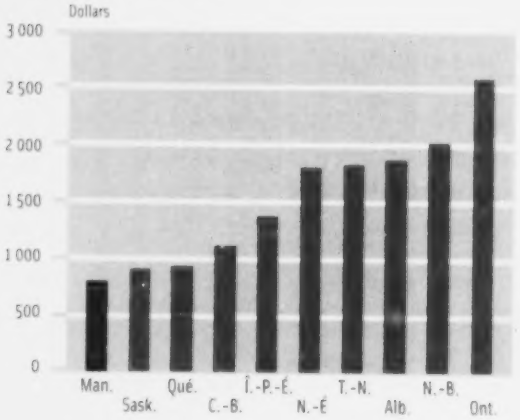
Le Budget 2004 présente un certain nombre d'efficiences nouvelles ou continues :

- les coûts d'emprunt de la province, lesquels figurent parmi les plus bas du pays, seront de nouveau réduits de 32,5 millions de dollars;
- la Division des permis et immatriculations et la Société d'assurance publique du Manitoba seront dorénavant sous le même toit, ce qui permettra de réduire les services administratifs qui font double emploi et d'améliorer le service à la clientèle;
- les sanctions imposées en cas de non-paiement de taxes ou d'impôts autonomes seront plus élevées;
- la vente et la location des terres domaniales seront régies par un seul organisme;
- des services administratifs, financiers et de la technologie de l'information seront regroupés.

Un comité de gestion des dépenses internes continuera de travailler conjointement avec les ministères pour examiner l'ensemble des dépenses gouvernementales en vue de multiplier les économies.

Les sociétés de la Couronne du Manitoba jouent un rôle important pour que notre province reste abordable. Hydro-Manitoba et la Société d'assurance publique du Manitoba offrent toutes deux aux consommateurs des services de grande qualité, fiables et peu coûteux. Des études indépendantes démontrent que les coûts de nos services publics figurent parmi les plus bas en Amérique du Nord.

Tarifs d'assurance automobile moyens par province, 2003



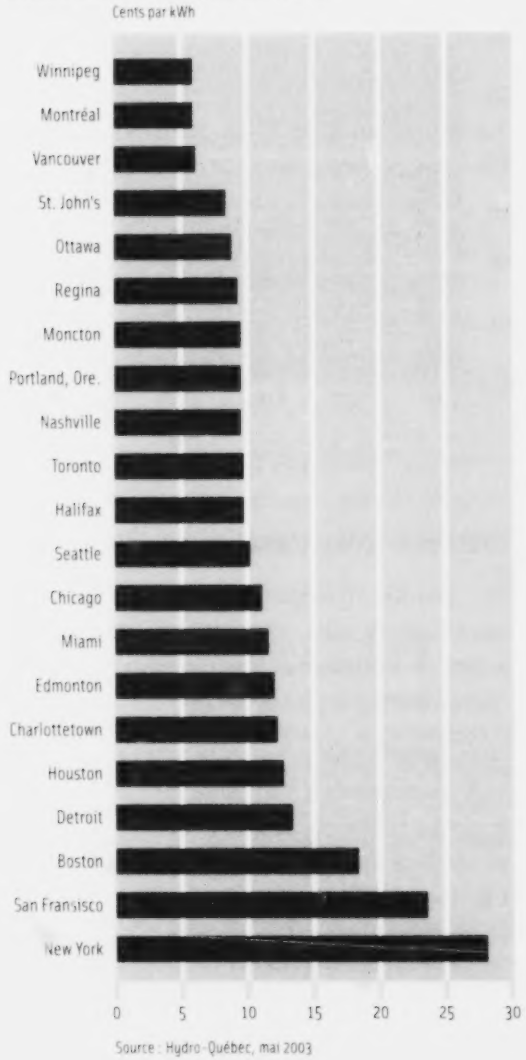
Source : Association des consommateurs du Canada, septembre 2003

Construire le Manitoba

Nos priorités d'infrastructure ont été, jusqu'à maintenant, la santé, l'éducation, la réfection des routes, la revitalisation des communautés et des centres-villes et la gestion de l'eau.

Comme première tâche, nous nous sommes concentrés sur le réaménagement stratégique des établissements de santé à l'échelle de la province. Le Centre régional de santé de Brandon est devenu un établissement à la fine pointe de la technologie grâce à un projet de réaménagement qui vient de se terminer, et un important projet d'agrandissement du Centre des sciences de la santé de Winnipeg est en cours. De Steinbach à Swan River, de Pinawa au Pas, nous avons

Tarifs d'hydroélectricité résidentiels moyens
Villes de l'Amérique du Nord



Source : Hydro-Québec, mai 2003

fait d'importants investissements en vue de moderniser les établissements de santé et d'améliorer le matériel diagnostique essentiel.

Avec les ressources prévues dans le Budget 2004, plus de 288 millions de dollars ont été affectés au financement des immobilisations des écoles publiques depuis 1999, soit presque le double du financement accordé au cours des cinq années précédentes. Cette aide financière a permis la réalisation de 33 projets d'agrandissement ou de rénovation importants, ainsi que la construction de 11 écoles de remplacement et de 8 nouvelles écoles, dont des établissements scolaires à Winkler, Mitchell, Norway House, Gimli, East Selkirk et Winnipeg.

Depuis 1999, des projets d'amélioration des immobilisations ont été entrepris dans tous les campus du Manitoba. La troisième phase du campus du centre-ville du collège Red River est terminée. À l'Université du Manitoba, on poursuit la construction du nouveau centre du génie et des technologies de l'information, d'une valeur de 52 millions de dollars, et du Centre Richardson de recherche sur les aliments fonctionnels, dont les coûts s'élèveront à 25 millions de dollars. Des discussions sont en cours relativement au réaménagement du collège communautaire Assiniboine à Brandon.

Notre contribution de 50 millions de dollars à la campagne *Building on Strengths* de l'Université du Manitoba, la plus importante campagne de levée de fonds de l'histoire du Manitoba pour l'enseignement postsecondaire, a aidé à obtenir un montant supplémentaire de 187 millions de dollars du secteur privé, pour un total de 237 millions de dollars.

Nous négocions actuellement un nouveau programme d'infrastructure Canada-Manitoba, axé principalement sur les régions rurales et du Nord, qui fournira de nouvelles ressources de la part de chaque ordre de gouvernement afin de répondre aux besoins vitaux en matière d'infrastructure partout dans la province.

Afin de mieux répondre aux besoins en matière d'infrastructure actuels et futurs, nous avons adopté les mesures suivantes. À compter de minuit le 30 avril, le taux d'imposition sur le carburant diesel concordera avec celui de la taxe sur l'essence. Ce nouveau taux demeure le moins élevé de toutes les provinces, sauf une.

Les droits d'immatriculation des véhicules augmenteront de 23 dollars à compter du 1er juillet et, dès juillet, une taxe supplémentaire sera ajoutée aux transferts fonciers dont la valeur est supérieure à 200 000 dollars. Ces mesures produiront 9,5 millions de dollars au cours de l'exercice actuel.

Nous sommes actuellement dans la troisième année d'un programme quinquennal de construction routière qui s'élève à 600 millions de dollars et qui a permis, déjà, d'améliorer et de rendre plus sécuritaires les routes partout au Manitoba. Le Budget 2004 poursuit cet engagement, en affectant 10 millions de dollars à la prochaine période de construction des routes et 10 millions à la période suivante.

Ce faisant, l'élargissement à quatre voies de la route transcanadienne sera terminé un an plus tôt, soit en 2006; une réfection majeure du revêtement de sections importantes de la route 6 à partir de la région d'Entre-les-Lacs jusque dans le Nord du Manitoba débutera cet été; et l'élargissement à quatre voies de la route périphérique au nord-est de Winnipeg et de la route 59 Sud se poursuivra au cours des trois prochaines années.

Depuis 1999, 45 collectivités du Nord se sont vues doter d'installations permettant un meilleur traitement de l'eau potable et des eaux usées. Le Budget 2004 continuera d'investir dans des initiatives de gestion de l'eau et d'amélioration de la qualité de l'eau.

Le Budget 2004 poursuit les investissements requis dans la première phase de l'initiative d'élargissement du canal de dérivation. Jusqu'à maintenant, le Canada et le Manitoba se sont engagés à accorder un montant total de 240 millions de dollars au financement de cette initiative. Une fois terminé, ce projet de 660 millions de dollars protégera notre capitale contre des inondations à récurrence de 700 ans.

Afin de donner suite aux recommandations émises en août dernier par la Commission de protection de l'environnement, la Province, la Ville de Winnipeg et le gouvernement fédéral ont récemment conclu une entente de 72 millions de dollars visant à améliorer le traitement des eaux d'égout de Winnipeg, protégeant ainsi la santé de la rivière Rouge et du lac Winnipeg. La même entente tripartite prévoit la construction du passage inférieur du boulevard Kenaston ainsi que la création d'un réseau de transport en commun rapide à Winnipeg.

Déséquilibre fiscal, durabilité future

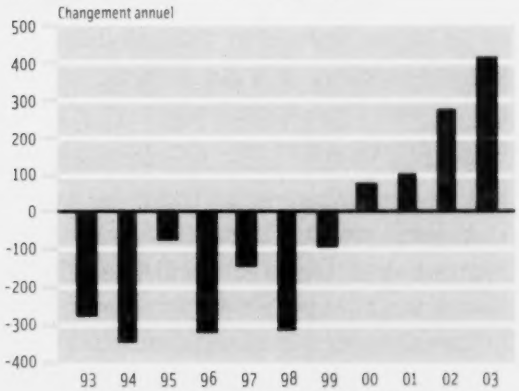
Monsieur le Président, le Conference Board du Canada indique que l'Alberta et le gouvernement fédéral enregistreront des soldes excédentaires au cours des dix prochaines années, alors que l'ensemble des provinces ont de la difficulté à financer leurs programmes de santé et d'éducation, et que les administrations locales pourraient se retrouver devant un grave déficit infrastructurel. Selon le Conference Board, dans ces circonstances, le système national de soins de santé deviendra non viable.

Notre première priorité est de chercher à créer un nouveau partenariat financier avec le gouvernement fédéral en matière de santé. Une fois que sera en place une nouvelle entente durable concernant l'orientation immédiate et à long terme des soins de santé, nous pourrons alors commencer à combattre le grave déficit infrastructurel auquel font face les administrations municipales.

Ici au Manitoba, la Ville de Winnipeg a fait de grands efforts pour que cette question urgente soit comprise à l'échelle nationale. Le Manitoba est unique parmi les provinces car il partage une portion de l'impôt sur le revenu des particuliers et de l'impôt sur les bénéfices des sociétés avec les municipalités. Le montant partagé équivaut à 0,05 $ en taxes perçues par litre d'essence.

Dans l'ensemble, en 2004, le Manitoba accordera à la Ville de Winnipeg 140 millions de dollars en subventions et revenus de transfert. Le gouvernement fédéral accordera environ 11 millions de dollars.

Personnel infirmier en activité



Source : College of Registered Nurses, College of Licenced Practical Nurses
College of Registered Psychiatric Nurses

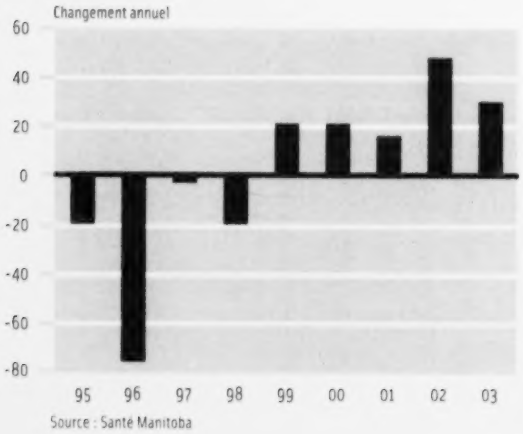
Une fois que nous aurons un nouvel accord sur le financement futur des soins de santé, nous serons heureux de travailler conjointement avec le gouvernement fédéral et les municipalités du Manitoba afin d'attaquer de front le dossier des besoins en infrastructure.

Santé

La viabilité du système de soins de santé est un défi de taille à relever et c'est pour cette raison que nous continuons à chercher un partenariat durable et significatif avec le gouvernement fédéral.

Depuis 1999, un engagement provincial sans précédent a aidé à stabiliser un système de soins de santé qui risquait de connaître une grave pénurie de personnel infirmier et de médecins, de même qu'une détérioration des hôpitaux et de l'équipement diagnostique.

Gain ou perte nets de médecins au Manitoba 1995-2003



Source : Santé Manitoba

- Nous avons triplé le nombre de diplômés en soins infirmiers au Manitoba, en grande partie grâce à la reprise du programme de diplôme d'infirmières autorisées.
- Comme le nombre de praticiens autorisés a augmenté de presque 7 % au cours des cinq dernières années, le Manitoba dispose maintenant de plus de médecins que jamais au cours de la dernière décennie.
- Le nouveau Centre régional de santé de Brandon vient d'ouvrir ses portes. Cet hôpital moderne offrira des services aux patients de l'Ouest du Manitoba pendant des décennies.
- Nous disposons maintenant, ici même au Manitoba, d'équipement médical de pointe comme le premier scalpel gamma au Canada.
- De même, des collectivités comme le Pas, Selkirk et Steinbach ont maintenant accès à des tomodensitomètres dans leurs hôpitaux locaux.

Selon la Cancer Advocacy Coalition of Canada, les délais d'attente au Manitoba sont parmi les plus courts au Canada pour le traitement de certaines formes de cancer. Ces délais ont diminué de moitié depuis 1999.

L'Association canadienne du diabète a reconnu le Manitoba comme ayant l'un des meilleurs programmes de traitement au Canada.

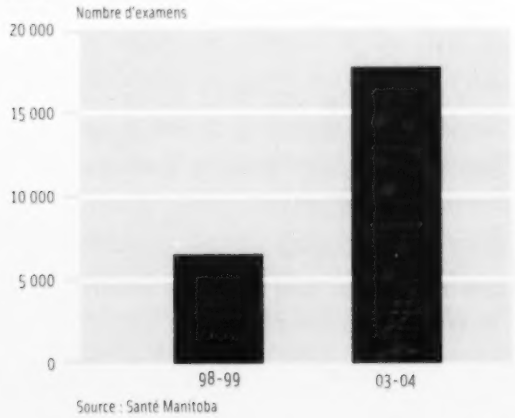
L'Association canadienne des radiologistes a constaté qu'au Manitoba, le délai d'attente pour une IRM est l'un des plus courts au Canada.

Nous avons accompli ces progrès alors que l'engagement du gouvernement fédéral envers le régime d'assurance-maladie a continué de diminuer. À l'heure où Ottawa enregistre d'importants surplus, on prévoit que la contribution du gouvernement fédéral au financement du système de soins de santé diminuera cette année au point de ne représenter que 16 % des coûts totaux, bien en deçà des 25 % que recommandait le Rapport Romanow.

Le système des soins de santé dans son ensemble verra son financement augmenter de 5,2 % dans le Budget 2004, soit la plus importante augmentation parmi tous les ministères. Cependant, étant donné que les coûts de prestation des soins de santé à la population du Manitoba continuent de croître beaucoup plus vite que les ressources disponibles, nous ne pouvons plus continuer à fonctionner de la même façon.

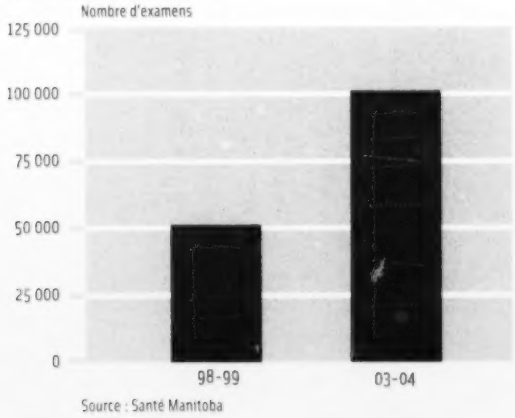
Nous continuerons à réaffecter aux soins de première ligne une partie des ressources qui étaient consacrées à l'administration des offices régionaux de la santé .

IRM



Source : Santé Manitoba

Tomodensitomètres



Source : Santé Manitoba

Notre régime d'assurance-médicaments couvre les coûts des médicaments pour les Manitobains nécessiteux. Au cours des cinq dernières années, les coûts de cet important programme ont plus que doublé : le budget de cette année est de 177,5 millions de dollars. En plus d'augmenter le financement, nous prenons des mesures pour contrôler l'escalade des prix des médicaments.

L'utilisation de médicaments génériques sera encouragée. En outre, nous examinerons les meilleures pratiques d'autres provinces pour que le médicament le plus efficace et le moins cher soit couvert lorsque cela est possible. Comme au cours des années précédentes, les franchises vont augmenter de 5 %. De même, l'ajout de deux niveaux de franchise permettra de répartir les coûts plus équitablement. En prenant ces mesures maintenant, nous pouvons faire en sorte que le régime d'assurance-médicaments demeure accessible aux Manitobains et Manitobaines qui en ont besoin.

Les Manitobains et Manitobaines veulent que leurs êtres chers reçoivent rapidement les soins dont ils ont besoin. Le Budget 2004 prévoit des ressources pour réduire les délais d'attente, améliorer le service dans les salles d'urgence et faire en sorte qu'il y ait suffisamment de professionnels de la santé.

Le présent budget contient des investissements et des réformes stratégiques qui permettront d'améliorer les soins aux patients et de continuer à édifier un système qui soit plus efficient à long terme. Notons :

- le premier appareil d'imagerie par résonance magnétique à l'extérieur de Winnipeg, qui sera situé au Centre régional de santé de Brandon;
- un plus grand nombre d'opérations cardiaques afin de répondre à la demande;

- du personnel supplémentaire dans les salles d'urgences afin de réduire les délais d'attente;
- un meilleur accès aux omnipraticiens et une meilleure diffusion des renseignements sur la santé;
- des traitements de dialyse plus près des patients du Nord du Manitoba.

Grâce à l'Initiative d'expansion des collèges, cinq millions de dollars ont été investis annuellement depuis l'an 2000 dans l'expansion des programmes d'études offerts aux professionnels de la santé. Nous avons utilisé le fonds de recrutement de personnel infirmier et de maintien des effectifs pour ramener des centaines d'infirmières et d'infirmiers au Manitoba. Cette année, nous réaffecterons une partie de ce fonds à une nouvelle expansion de notre programme très réussi de diplôme en soins infirmiers et à l'augmentation des possibilités offertes aux Manitobains et Manitobaines qui veulent faire carrière dans le domaine des soins de santé.

Le Budget 2004 prévoit un investissement de ressources pour former plus de personnel infirmier à l'échelle de la province. Les infirmières auxiliaires des régions rurales du Manitoba se verront offrir la possibilité de devenir des infirmières autorisées. Les personnes qui veulent de nouveau exercer la profession infirmière recevront de l'aide pour mettre leurs compétences à jour.

Au cours des cinq dernières années, le nombre de tests diagnostiques comme les imageries par résonance magnétique, les tomodensitogrammes et les échographies a presque doublé et, dans certains cas, triplé. Plus que jamais, les Manitobains et Manitobaines ont accès à la technologie médicale de pointe. Pour continuer sur cette lancée, le Budget 2004 prévoit des ressources pour améliorer la formation des professionnels des services de diagnostic.

Par ailleurs, les Manitobains et Manitobaines prennent leur propre santé plus en charge, ce qui est également important pour la viabilité du système de soins de santé. Mettre l'accent sur un mode de vie sain aidera à long terme à réduire les coûts du système de soins de santé en augmentant le bien-être des habitants de la province.

Les Manitobains et Manitobaines tireront également profit de la subvention fédérale-provinciale de 3,9 millions de dollars accordée pour l'agrandissement du centre Kinsmen Reh-Fit. Cet établissement regroupe sous un même toit des soins médicaux, des activités de conditionnement physique et un service de diététique.

Nous croyons que le gouvernement devrait aider à promouvoir un mode de vie sain dès les premières années. À cette fin, le Groupe de travail sur la condition physique et la santé chez les jeunes tiendra des consultations publiques dans toute la province pour recueillir des suggestions visant à améliorer la nutrition chez les jeunes et à augmenter les niveaux d'activité physique de ces derniers.

Dans le récent budget fédéral, on a annoncé l'augmentation des fonds destinés à l'immunisation. Notre gouvernement s'est engagé à augmenter l'utilisation des vaccins pour prévenir les maladies infantiles graves.

À la suite des recommandations du Groupe de travail tripartite sur la fumée secondaire du tabac, le ministre

de la Vie saine a fait preuve de leadership en déposant le Projet de loi 21, la *Loi sur la protection de la santé des non-fumeurs*. Grâce à cette loi, le Manitoba sera la première province canadienne où il est interdit de fumer à l'intérieur à partir du 1er octobre 2004.

Selon Santé Canada, de janvier 2001 à juin 2003, la consommation de tabac au Manitoba a diminué d'environ 19 %. Afin de décourager celle-ci davantage, le taux d'imposition sur le tabac augmentera de 2 cents la cigarette à partir de ce soir à minuit.

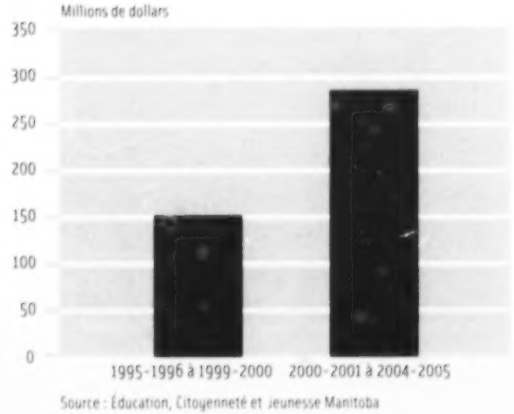
Éducation et Jeunesse

Pour créer les possibilités de demain, nous devons commencer par un engagement solide envers l'éducation et nos jeunes. Cet engagement demeure un élément clé de notre stratégie de croissance économique.

Depuis 1999, nous avons travaillé en partenariat avec les parents, les enseignants et les collectivités pour fournir un financement stable aux écoles, améliorer l'efficacité de l'administration des écoles publiques et moderniser l'infrastructure scolaire.

Plus tôt cette année, nous avons annoncé notre intention d'accroître le financement des écoles de 17,6 millions de dollars, soit une augmentation de 2 %. C'est la cinquième année consécutive que notre gouvernement respecte son engagement de faire correspondre son financement des écoles au taux de la croissance économique, ce qui se traduit par une augmentation totale de 105 millions de dollars.

Financement d'immobilisations Écoles publiques



Source : Éducation, Citoyenneté et Jeunesse Manitoba

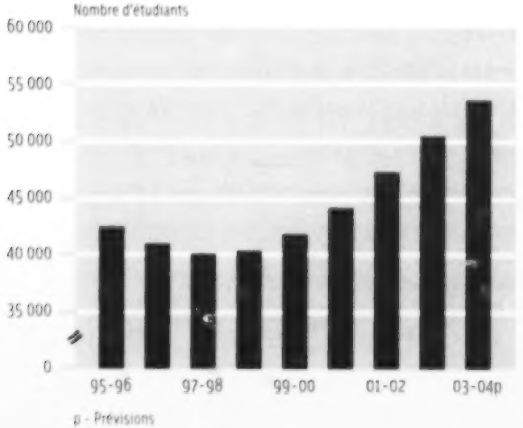
De nouvelles ressources seront affectées aux domaines suivants :

- la réussite scolaire des Autochtones;
- l'éducation des élèves ayant des besoins spéciaux, qui a augmenté de près de 25 % depuis 1999-2000;
- les programmes d'anglais langue seconde;
- le counselling et l'orientation;
- l'aide aux bibliothèques.

Dans le Budget 2004, nous consacrons de nouvelles ressources à une initiative s'étendant sur plusieurs années pour améliorer les programmes d'études et les options de cours de formation professionnelle au secondaire, ce qui permettra de favoriser les possibilités d'apprentissage et d'établir des liens plus solides avec les établissements d'enseignement postsecondaire et les employeurs.

Les nouvelles ressources prévues dans le Budget 2004 nous permettront de mettre un accent accru sur la

Total des inscriptions - Collèges et universités
De 1995-1996 à 2003-2004p



p - Prévisions

Source : Conseil de l'enseignement postsecondaire

citoyenneté et d'offrir aux élèves de nouveaux outils leur permettant de comprendre leur rôle de participants actifs à la société.

Des ressources seront également affectées à la création d'un Institut des enseignants à l'Assemblée législative du Manitoba afin que les enseignants puissent en apprendre davantage sur la démocratie parlementaire et utiliser dans la salle de classe l'expérience et les connaissances acquises.

Monsieur le Président, l'allègement fiscal destiné aux propriétaires fait partie de notre investissement dans l'éducation. Nous avons réduit les impôts fonciers en matière d'éducation chaque année en augmentant le crédit d'impôt et en diminuant la taxe résidentielle d'aide à l'éducation.

Au cours des années 1990, la valeur des propriétés est restée stable alors que les impôts fonciers en matière d'éducation ont augmenté de 66 % en moyenne. Aujourd'hui, cette situation s'est inversée : la valeur des propriétés connaît une forte croissance alors que les impôts fonciers sont stables. Pour la plupart des habitants du Manitoba, les réductions provinciales des impôts fonciers en matière d'éducation ont entièrement compensé l'augmentation des taxes relatives aux divisions scolaires. En tenant compte du budget d'aujourd'hui, la réduction des impôts fonciers en matière d'éducation depuis 1999 s'élève à 92 millions de dollars.

Malgré les défis de l'année dernière, le Budget 2004 comporte une réduction additionnelle de 10 millions de dollars de la taxe résidentielle d'aide à l'éducation. En 2004, cette réduction permettra aux propriétaires d'économiser 40,50 $ pour une maison évaluée à 125 000 dollars, ce qui porte l'économie totale d'impôt à ce chapitre, depuis 2001, à 159 $ pour la même maison.

Le crédit d'impôt foncier du Manitoba en matière d'éducation fournit 179 millions de dollars en aide aux propriétaires et aux locataires pour réduire leurs impôts fonciers. L'année prochaine, nous avons l'intention de transférer directement aux divisions scolaires 100 millions de dollars en crédits d'impôts fonciers. À des fins de transparence et d'équité à l'endroit des propriétaires dans le cadre de ce transfert, il importe que les particuliers concernés ne souffrent d'aucune réduction des avantages prévus. Ce changement permettra une meilleure reddition de comptes en matière de financement de l'éducation par la Province.

Au cours de notre premier mandat, nous avons permis aux agriculteurs manitobains d'économiser sept millions de dollars en réduisant le fractionnement des terres agricoles de 30 % à 26 %.

Pendant notre deuxième mandat, nous nous sommes engagés à réduire de 20 % l'impôt foncier en matière d'éducation sur les terres agricoles.

En 2005, l'impôt foncier en matière d'éducation sur les terres agricoles sera réduit de 5 % dans un premier temps. Nous organiserons des consultations afin de déterminer la meilleure manière de tenir cet engagement.

Grâce au Budget 2004, nous continuerons à avoir des droits de scolarité postsecondaires parmi les plus abordables au Canada, nous offrirons de nouveaux programmes ou développerons des programmes existants, nous ferons des investissements essentiels dans l'infrastructure et nous augmenterons les possibilités d'éducation offertes à tous les Manitobains et Manitobaines.

Depuis 1999, nous avons accompli d'énormes progrès :

- les inscriptions dans les universités ont augmenté de 28 %;
- les inscriptions dans les collèges ont augmenté de plus de 30 %;
- les inscriptions dans les programmes d'apprentissage ont augmenté de 18 %;
- le nombre d'étudiants en soins infirmiers a triplé;
- il y a eu un accroissement d'effectif de presque 1 000 étudiants dans les programmes de formation de haute technologie dans les domaines de l'aérospatiale et des sciences de la vie.

En l'an 2000, les droits de scolarité ont été réduits de 10 % et ont été maintenus à ce niveau au cours des quatre dernières années. Le présent budget maintient la réduction des droits de scolarité pour la cinquième année consécutive, améliorant ainsi l'accessibilité aux études tout en aidant les étudiants à éviter un fardeau d'endettement excessif.

L'aide financière totale accordée aux collèges et aux universités dans le Budget 2004 augmentera de 3,5 %.

De nouvelles ressources seront affectées :

- à l'Initiative d'expansion des collèges communautaires, afin de continuer à accroître les possibilités en éducation;
- au Fonds des initiatives stratégiques en éducation postsecondaire, pour stimuler l'élaboration de nouveaux programmes;
- au programme Accès, pour aider les personnes à qui on a traditionellement imposé des obstacles à leur intention de poursuivre des études collégiales ou universitaires.

Plus tôt cette année, nous avons déposé un projet de loi visant à faire du Collège universitaire du Nord un établissement d'enseignement postsecondaire du Manitoba. Aujourd'hui, notre gouvernement va de l'avant en accordant un nouveau soutien à ce collège.

Le Collège universitaire du Nord rendra l'éducation postsecondaire plus accessible aux habitants du Nord en leur offrant des cours plus près de chez eux et en faisant en sorte que les Autochtones et les autres habitants du Nord participent pleinement à la gestion de ce nouvel établissement.

Des fonds seront également alloués à l'Initiative de formation professionnelle en hydroélectricité dans le Nord afin que les résidants autochtones du Nord puissent mieux profiter des possibilités de formation et d'emploi découlant des aménagements hydroélectriques.

Nous affecterons 200 000 dollars à la formation des Manitobains et Manitobaines en vue des possibilités d'emploi liées à l'élargissement du canal de dérivation de la rivière Rouge.

Nous prévoyons d'importantes nouvelles ressources pour les bourses d'études des cycles supérieurs afin de stimuler la recherche universitaire au Manitoba. Cet investissement nous permettra de retenir ici nos meilleurs étudiants et de favoriser des travaux de recherche qui soutiendront la croissance économique et la prospérité dans la province.

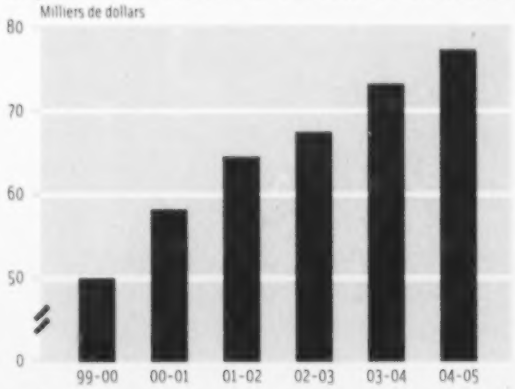
Soutenir les familles

Monsieur le Président, nous savons qu'investir en faveur des jeunes enfants produit des résultats positifs, tant pour nos enfants que pour la société tout entière.

Le Budget 2004 affecte de nouvelles ressources à Enfants en santé Manitoba pour deux programmes, soit Priorité aux bébés et le Programme d'intervention précoce. Ces programmes fournissent des ressources importantes aux familles à faible revenu qui ont de très jeunes enfants.

En outre, nous affectons de nouvelles ressources au programme Développement de la petite enfance francophone, afin que la communauté francophone

Dépenses consacrées aux services à l'enfance



Source : Services à la famille et Logement Manitoba

puisse élaborer des programmes appropriés sur les plans culturel et linguistique.

Nous allouons de nouvelles ressources pour augmenter le nombre de tests de mesure du développement de la jeune enfance, dans le but d'aider les divisions scolaires à mesurer le développement des enfants manitobains avant leur entrée en première année.

Nous prévoyons également accorder un soutien à la nouvelle Initiative de thérapie pédiatrique, mise sur pied afin que les enfants aient plus rapidement accès à des services tels que les services d'orthophonie.

Le Manitoba a une longue tradition de soutien aux efforts de Centraide. De fait, nous sommes la seule province canadienne à en couvrir les coûts d'administration. J'ai le plaisir d'annoncer que le Budget 2004 renforce le soutien accordé aux organismes Centraide de la province, en assurant

Soutenir les familles

Au cours des cinq dernières années, la province a démontré son engagement envers les familles en allouant 26 millions de dollars supplémentaires aux services de garde d'enfant et plus de 58 millions aux programmes de développement du jeune enfant. Cet engagement a pris la forme des mesures suivantes, entre autres :

- le financement de 3 500 places de garderie;
- une augmentation de 51 % du financement des garderies, répartie sur 5 budgets;
- l'établissement de 26 centres parents-enfants afin d'améliorer les soutiens offerts aux parents;
- un appui au programme Bébés en santé destiné aux nouvelles mères et l'allocation d'un supplément nutritionnel pour les femmes enceintes ayant un faible revenu.

que chaque dollar donné est consacré à d'importants services communautaires.

Le Bureau du protecteur des enfants a récemment effectué une révision du système de refuges d'urgence des Services à l'enfant et à la famille de Winnipeg. À la suite de cette révision, le gouvernement a réagi rapidement en entreprenant l'élimination graduelle des services de refuge pour les enfants plus jeunes; de plus, nous avons déjà entrepris un processus de mise en œuvre pour améliorer les services en milieu familial destinés aux enfants qui les reçoivent.

Monsieur le Président, au cours des années 1990, le financement alloué aux personnes handicapées a été réduit considérablement, ce qui a entraîné une diminution des services et de la qualité de vie pour un certain nombre de Manitobaines et de Manitobains. Ce gouvernement a pris des mesures correctives.

Nous avons nommé un ministre responsable des Personnes ayant un handicap et créé le Bureau des personnes handicapées, qui sert de centre de coordination des politiques touchant les personnes handicapées, en facilitant des consultations concrètes avec la communauté des personnes handicapées et en traitant les questions qui leur sont importantes. Le Budget 2004 prévoit une augmentation de 12,3 millions de dollars, soit 11 %, du soutien accordé au Programme d'aide à la vie en société, qui aide les personnes handicapées à vivre au sein de la communauté.

Au cours des années 1990, le salaire minimum au Manitoba n'a pas suivi le rythme de l'inflation. Depuis 1999, nous avons augmenté le salaire minimum de 16,7 %. J'ai le plaisir d'annoncer qu'en augmentant le salaire minimum à sept dollars l'heure le 1er avril 2004, nous avons rétabli le pouvoir d'achat du salaire minimum pour les travailleurs, les étudiants et les familles à faible revenu.

Nos efforts visant le réaménagement et la revitalisation des quartiers, particulièrement ceux du centre-ville de Winnipeg, ont suscité un regain de fierté dans bon nombre de communautés. Dans certains quartiers, la valeur des maisons a augmenté de plus de 60 %.

Au cours des quatre dernières années, nous avons consacré 12 millions de dollars au Programme d'aide à l'accès au logement dans les quartiers, afin d'aider

les communautés à améliorer leur parc de logements et les propriétaires et les locataires à faible revenu à accéder à des logements à prix abordable.

Les gouvernements du Canada et du Manitoba accordent chacun 25,4 millions de dollars sur cinq ans au Programme de logement à prix abordable - dont six millions seront affectés au logement dans les régions du Nord. Par ailleurs, nous avons doublé à deux millions de dollars la contribution provinciale au Programme d'aide à la remise en état des logements.

Depuis 1999, des engagements ont été pris pour la construction, la rénovation ou la réparation de plus de 2 100 maisons au Manitoba en vertu du Programme d'aide à l'accès au logement dans les quartiers et du Programme de logement à prix abordable.

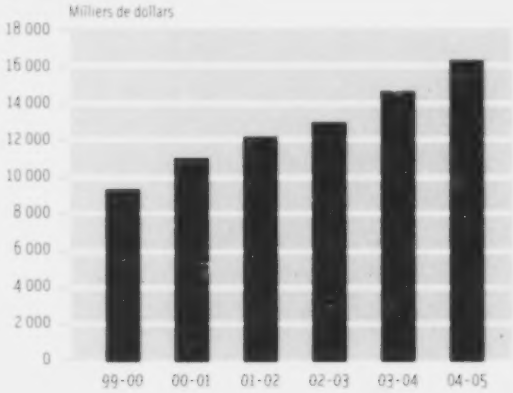
Des communautés plus sûres

Logements de qualité, soutien pour les enfants et les familles, quartiers dynamiques, communautés privilégiant la sécurité - ce sont là des composantes importantes d'une vie saine.

Lorsque nous sommes entrés en fonctions en 1999, les problèmes de criminalité, comme le vol d'automobile et les incendies criminels, étaient croissants. Le crime organisé avait un nouveau visage depuis l'arrivée au Manitoba des Hells Angels en 1997.

Notre gouvernement s'est immédiatement attaqué à ces problèmes complexes, en adoptant une démarche globale axée sur la lutte contre le crime et l'amélioration de la sécurité publique.

Dépenses consacrées aux poursuites judiciaires



Source : Finances Manitoba

Notre démarche se traduit par des ressources plus importantes pour les services de police et les procureurs, par de nouveaux outils d'application de la loi pour les organismes responsables de l'exécution des lois et par une plus grande concentration sur des programmes de prévention efficaces.

En outre, nous avons financé la première unité de lutte contre le crime organisé au Manitoba et fermé plus de 50 lieux où on se livrait à des activités illégales, telles l'inhalation de substances intoxicantes, la consommation de drogues et la prostitution.

Nous avons mis en œuvre de nouvelles stratégies pour combattre le vol d'automobile et la conduite avec facultés affaiblies, et mis sur pied le programme Lighthouses, un programme efficace qui offre aux jeunes une alternative saine à la rue. Le Budget 2004

Renforcer les communautés – Affronter la pauvreté

En date du mois de janvier 2004, la Province :

- a entièrement restauré la Prestation nationale pour enfant pour les familles ayant des enfants de moins de 18 ans, ce qui a permis de rendre 13,7 millions de dollars aux familles manitobaines ayant un faible revenu;
- a augmenté le soutien accordé aux bénéficiaires de l'aide financière générale et aux personnes handicapées;
- a augmenté les exemptions de gains pour les familles ayant des enfants et recevant une aide au revenu;
- a augmenté le soutien à la formation de un an à deux ans pour les parents célibataires ayant des enfants de moins de six ans;
- a réussi à diminuer de manière importante le nombre de cas d'aide au revenu par rapport à il y a dix ans.

L'élimination de la récupération de la Prestation nationale pour enfant, et le libre accès aux nouvelles prestations fiscales pour enfants par les familles ayant des enfants et recevant une aide au revenu, ont permis à ces familles d'améliorer leur situation financière de 15 à 20 % par rapport aux années 1990.

prévoit des ressources pour la mise sur pied de cinq nouveaux lieux-phares du programme Lighthouse.

Notre démarche signifie que nous reconnaissons le besoin d'affecter plus de ressources aux premières lignes, et le Budget 2004 continue d'investir dans les initiatives entreprises depuis 1999.

Nous luttons contre le crime organisé :

- en soutenant la nouvelle unité de lutte intégrée contre le crime organisé, ainsi que la Section de sensibilisation aux bandes de rues de la GRC;
- en finançant la GRC de façon à lui permettre de poursuivre ses activités avec un effectif complet - portant à 70,2 millions de dollars le total du soutien accordé aux services policiers provinciaux, soit une augmentation de 26% depuis 1999;
- en renforçant la collaboration entre les services de police, les procureurs et les Services correctionnels par le truchement de la Section de lutte contre le crime organisé et les délinquants à risque élevé, dont l'objectif est de mettre fin aux activités des bandes et des agresseurs.

Le ministère de la Justice vient d'entreprendre des consultations en profondeur avec plus de 24 grandes entreprises qui ont recours à un service de sécurité interne. Le ministère travaille à l'élaboration d'une politique de réglementation de ce secteur nouveau et complexe, laquelle politique inclurait des normes d'emploi et de formation.

Nous avons également eu comme priorité majeure de soutenir nos procureurs. À cette fin, nous avons augmenté le budget des poursuites judiciaires de 67 % depuis 1999. Le Budget d'aujourd'hui prévoit des ressources supplémentaires pour l'ajout d'un autre poste de procureur de niveau supérieur pour les causes se rapportant à des enfants victimes.

Dans le Budget 2004, nous poursuivons sur cette lancée en accordant des ressources accrues aux services de

police et aux services d'incendie, en consolidant les partenariats avec la communauté et en soutenant les groupes à risque élevé. Ce budget prévoit :

- de nouvelles ressources pour les Services de police dakota-ojibway, ainsi que pour les services policiers de la nation crie Opaskwayak et ceux de la collectivité autochtone de Nelson House;
- un nouveau soutien de plus de 350 000 dollars pour le système de notification des victimes et de localisation des délinquants, dont le but est d'informer les victimes des dates de comparution devant le tribunal, de l'issue des procès et d'autres renseignements liés à leur cas;
- des ressources pour la mise en œuvre permanente du programme Faire volte-face, le premier programme provincial du genre au Canada, afin d'intervenir de façon efficace auprès des enfants de moins de 12 ans qui ont des démêlés avec la justice et de veiller à ce qu'il y ait des conséquences concrètes;
- des ressources destinées à élargir le programme SécurAide, dont l'objectif est de fournir des dispositifs de sécurité aux personnes âgées à faible revenu;
- un soutien accru offert dans les régions aux enfants victimes, par l'entremise des Services aux victimes.

Notre gouvernement reconnaît également qu'il doit s'attaquer aux défis auxquels fait face le système judiciaire. Depuis 2001, il a haussé de 30 % le financement accordé à la Société d'aide juridique.

Cette année, les ressources accordées à la Société d'aide juridique augmenteront de nouveau. Il reste toutefois à surmonter des défis importants, dont ceux liés aux dépenses élevées occasionnées par les causes à haute visibilité et les causes impliquant plusieurs accusés. Des changements seront apportés en vue de préserver la raison d'être de la Société d'aide juridique, qui est de veiller à fournir des services de représentation juridique à toute personne ne pouvant pas autrement se le permettre.

Bâtir nos communautés

Monsieur le Président, nous restons déterminés à fournir des possibilités de développement communautaire et économique à toutes les régions de la province. Par l'entremise du Budget 2004, nous prévoyons l'attribution de ressources pour être en mesure de mettre à profit les stratégies de croissance que nous avons élaborées en travaillant avec la population en général, les aînés, les producteurs agricoles, les éducateurs et les chefs de file du secteur des affaires.

Dans les régions rurales du Manitoba, nous continuerons à investir dans les domaines des sciences biologiques, des nutriceutiques et du développement des produits alimentaires.

Nous offrirons de nouvelles ressources aux étudiants, aux entrepreneurs et aux producteurs agricoles des régions rurales. Nous continuerons à soutenir nos éleveurs de bétail aux prises avec la crise de la maladie de la vache folle.

Nous effectuerons les investissements nécessaires afin de réunir les connaissances et la technologie essentielles pour que les régions rurales du Manitoba puissent prospérer à l'ère de la nouvelle économie.

Nous continuerons à investir dans les soins de santé et l'aide aux familles, dans le but d'améliorer la qualité de vie des Manitobaines et Manitobains partout dans la province.

Dans le Nord du Manitoba, nous continuerons à travailler fort pour mettre en œuvre les objectifs exposés dans notre Stratégie de développement du Nord, qui vise à saisir les possibilités de développement des ressources humaines et naturelles de cette région.

Nous prévoyons des ressources pour le Fonds de développement économique et de mise en valeur des ressources pour les Autochtones. Ce Fonds soutient notre Stratégie de développement du Nord dans le cadre d'initiatives telles que celle relative au Centre de diversification des ressources forestières du Nord.

Nous consacrerons également des ressources à la mise en œuvre d'une Initiative d'alimentation saine dans le Nord, dans le but d'encourager la production traditionnelle locale d'aliments et d'améliorer la nutrition des familles.

Dans le Budget 2004, l'infrastructure des régions du Nord demeurera l'une de nos priorités, ce qui englobe les chemins d'hiver, les aéroports et d'autres éléments de l'infrastructure des transports. En outre, nous mettrons en œuvre des initiatives visant l'amélioration de la qualité de l'eau et le traitement des eaux usées.

Le Budget 2004 continue d'appuyer les travaux d'amélioration des installations communautaires à l'échelle de la province. Les trois ordres de gouvernement contribueront à la construction ou

Appuyer les producteurs agricoles

La détection de la maladie de la vache folle dans un seul bovin en Alberta a résulté en de nombreuses difficultés pour les éleveurs de bétail manitobains et pour l'économie des régions rurales. La province :

- a libéré plus de 180 millions de dollars pour aider les agriculteurs. À ce jour, plus de 93 millions de dollars ont été remis aux éleveurs touchés par la crise de la maladie de la vache folle sous forme de prêts à faible taux d'intérêt, de prime à l'abattage et de subventions de transport;
- a œuvré à l'établissement d'une usine de traitement et de récupération animale pour vaches et taureaux, gérée par les éleveurs et installée au Manitoba;
- a signé l'Accord national de mise en œuvre du cadre stratégique pour l'agriculture, ce qui a produit 50,3 millions de dollars au Programme canadien de stabilisation du revenu agricole afin d'aider les agriculteurs cette année.

l'agrandissement de centres de loisirs importants à Thompson, au Pas et à Dauphin.

Nous poursuivons également nos efforts de revitalisation des zones urbaines importantes. Il y a un regain de confiance, d'énergie et d'enthousiasme dans les villes manitobaines. À Brandon et à Thompson, des programmes tels que Quartiers vivants et Lighthouses font toute la différence.

Brandon connaît une période de croissance rapide en fait de population, d'investissements et de possibilités de développement.

Nous y avons récemment célébré l'ouverture d'un nouveau centre ultramoderne, le Centre régional de santé de Brandon.

Le premier appareil d'imagerie par résonance magnétique à l'extérieur de Winnipeg sera installé à Brandon.

Des améliorations sont en train d'être apportées au Keystone Centre grâce à l'aide de la Province.

De nouveaux programmes et de nouvelles installations à l'Université de Brandon et au Collège communautaire Assiniboine facilitent l'accès des étudiants de la région de l'Ouest à des possibilités de formation de qualité.

Et nous continuerons à travailler avec la communauté à déterminer quelles sont les meilleures options pour l'aménagement de l'ancien site du Centre de santé mentale de Brandon.

À Winnipeg, des initiatives majeures, tant du secteur privé que du secteur public, sont en cours : citons notamment le nouveau complexe de sport et de loisir et le Centre des sciences de la santé. Les travaux de planification du Musée canadien des droits de la personne sont en cours et le nouvel édifice d'Hydro-Manitoba au centre-ville fait également partie des projets.

La troisième phase du campus du centre-ville du collège Red River est terminée. À l'Université du Manitoba, on poursuit la construction d'un nouveau centre du génie et des technologies de l'information, d'une valeur de 52 millions de dollars, et du Centre Richardson de recherche sur les aliments fonctionnels, dont le coût s'élèvera à 25 millions de dollars.

L'immigration au Manitoba

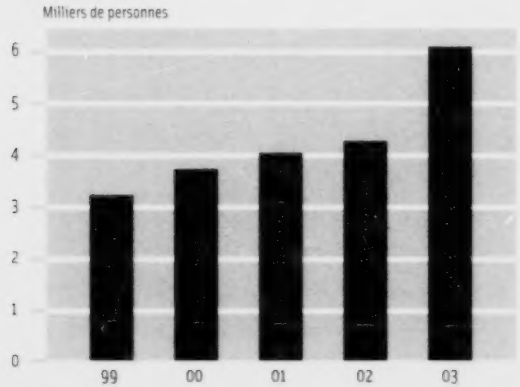
Des progrès historiques ont été enregistrés en 2003.

- **La migration nette totale a atteint son plus haut niveau en 20 ans.**
- **La population manitobaine a augmenté de 7 584 personnes, soit la plus grosse augmentation depuis 1986.**
- **Près de 6 500 immigrants internationaux sont entrés au Manitoba, un nombre inégalé depuis 1990.**
- **Le programme Candidats du Manitoba a aidé à accueillir plus de 3 000 candidats accompagnés de leurs familles, ce qui représente près de la moitié de l'immigration totale dans la province.**
- **Les responsables du volet gens d'affaires du programme Candidats du Manitoba ont approuvé l'immigration de 172 entrepreneurs représentant un investissement potentiel de 64 millions de dollars et la promesse de 450 nouveaux emplois.**

Notre contribution de 50 millions de dollars à la campagne de financement Building on Strengths de l'Université du Manitoba, la plus importante campagne de levée de fonds de l'histoire du Manitoba pour l'enseignement postsecondaire, a contribué à obtenir un montant supplémentaire de 187 millions de dollars du secteur privé, pour un total de 237 millions de dollars.

Dans notre capitale, le marché du logement est en pleine croissance. Le Budget 2004 prévoit des ressources afin que la population puisse continuer à bénéficier de nouveaux logements à prix abordable.

Immigration internationale nette au Manitoba



Source : Statistique Canada

Monsieur le Président, l'une des principales forces du Manitoba est sa collectivité multiculturelle, diversifiée et dynamique. Le Budget 2004 prévoit des ressources supplémentaires pour la mise en œuvre de notre Stratégie de promotion de l'immigration.

Le Manitoba a maintenant un rôle plus important à jouer dans la planification de l'immigration provinciale, à la suite du renouvellement, en juin 2003, de l'Entente Canada-Manitoba sur l'immigration.

Afin de faciliter l'établissement des immigrants dans notre province et de leur offrir une formation linguistique, les gouvernements du Canada et du Manitoba augmenteront les ressources accordées au Programme manitobain d'intégration des immigrants.

Nous travaillons en vue d'accroître le nombre d'immigrants pouvant s'installer au Manitoba. Mais nous travaillons également très fort afin d'attirer un plus grand nombre de touristes dans notre province.

La contribution du tourisme à l'économie de la province vaut environ 1,4 milliard de dollars, et cette industrie emploie directement ou indirectement quelque 60 000 Manitobains et Manitobaines. Nous avons présenté un projet de loi qui prévoit la création d'un organisme gouvernemental indépendant, semblable à la Société manitobaine de développement de l'enregistrement cinématographique et sonore, ayant la flexibilité requise pour mettre à profit de nouvelles possibilités de tourisme au moyen de partenariats entre les secteurs privé et public.

En travaillant avec l'industrie du tourisme et en s'inspirant de l'expérience des autres provinces, nous pouvons faire en sorte que ce secteur important de notre économie continue à se développer et à prendre de l'essor.

Conservation et gérance de l'eau

Une abondance d'eau douce propre, de plages magnifiques, de régions sauvages intactes, de parcs vierges et d'installations récréatives : voilà un des importants avantages du Manitoba. Nous savons que nous devons continuer à préserver et à améliorer la beauté naturelle de notre province.

Notre engagement envers la qualité de l'eau tient compte de tous les aspects de l'eau, de la source jusqu'au robinet. Le mandat du nouveau ministère de la Gestion des ressources hydriques - le premier de ce genre au Canada - est la protection et la gestion de notre eau.

Les investissements de la Province dans le Nord

- Le Centre de diversification des ressources forestières du Nord, au Pas, travaille à établir un équilibre entre la demande croissante de produits forestiers sauvages, naturels et non ligneux et la relève du défi que pose la création de possibilités économiques viables dans les régions isolées.
- L'option pour les dialysés de la région d'Island Lake, dans le Nord du Manitoba, de recevoir leurs traitements plus près de chez eux, grâce à une nouvelle unité de santé rénale et de traitement à Garden Hill d'un coût de 5,2 millions de dollars.
- Près de 11 millions de dollars consacrés à la mise sur pied d'un nouveau service d'urgence ainsi qu'à d'autres améliorations, et à l'achat de nouvel équipement, y compris un nouveau tomodensitomètre pour l'hôpital général de Thompson.
- Des investissements dans l'Initiative de développement de la porte d'accès de Churchill afin d'assurer l'exploitation de la ligne de chemin de fer de la Baie d'Hudson et du port de Churchill pendant la saison 2004.

Nous avons proclamé certaines des mesures législatives les plus rigoureuses de l'Amérique du Nord pour la protection de l'eau potable. De plus, nous avons offert des subventions pour les tests de qualité de l'eau, rendu obligatoire la formation des agents responsables de la qualité de l'eau, embauché 12 nouveaux agents pour le service de l'eau potable et 16 inspecteurs de bétail, et investi 50 millions de dollars en infrastructure pour l'eau potable et les égouts.

Le Budget 2004 prévoit un soutien important pour l'amélioration continue des ressources hydriques du Manitoba.

Des ressources sont prévues pour appuyer le Programme de gérance du lac Winnipeg, afin de trouver des moyens de réduire la quantité de nutriants nuisibles dans le lac.

Nous avons présenté la *Loi sur la protection des eaux*, afin de mettre en œuvre des mesures plus efficaces de protection des sources d'eau et des écosystèmes aquatiques, de définir un cadre de planification intégrée fondé sur le bassin hydrographique, et de permettre la mise sur pied du Conseil manitobain de l'eau et du Fonds de gestion des ressources hydriques.

À cette loi s'ajouteront des modifications aux autorisations d'exploitation d'élevage et l'engagement de la Province à respecter les normes recommandées par la Commission de protection de l'environnement en ce qui concerne le traitement des eaux usées à Winnipeg et à Brandon.

Après consultation du public, nous consacrerons des ressources à l'élaboration de nouveaux règlements et à la mise en œuvre de cette loi d'avant-garde cette année.

Nous consacrerons des ressources au soutien du Programme de gestion du bétail afin de définir des responsabilités supplémentaires au niveau de l'inspection et de l'application de la loi. Dans le but d'aider les exploitations agricoles à investir dans l'achat d'équipement permettant la réduction des odeurs produites par les déchets organiques, nous

introduisons un crédit d'impôt à la lutte contre les odeurs, qui sera de dix pour cent.

Le Dakota du Nord a récemment entrepris un projet de déviation de cours d'eau qui pourrait être nuisible à nos rivières et à nos lacs. En collaboration avec d'autres gouvernements et des particuliers préoccupés par la situation des deux côtés de la frontière, nous avons réagi en entamant une contestation judiciaire.

En 1997, Winnipeg a évité de justesse une inondation catastrophique qui aurait pu entraîner des dégâts coûtant plus de six milliards de dollars à la Province. Le risque auquel la ville de Winnipeg est exposée se chiffre toujours à environ 80 millions de dollars par an, pertes commerciales non comprises, si aucune mesure de protection supplémentaire n'est prise.

C'est donc avec plaisir que je signale le début des travaux de la première phase d'élargissement du canal de dérivation, dont le coût sera de 240 millions de dollars.

Ce projet d'élargissement doublera pratiquement la capacité du canal de dérivation et améliorera considérablement le niveau de protection de la ville de Winnipeg contre les inondations. Winnipeg est actuellement protégée contre les inondations à récurrence de 90 ans, comme celle de 1997 : après l'expansion du canal de dérivation, elle sera protégée contre les inondations à récurrence de 700 ans, c'est-à-dire comme celle de 1826, soit l'inondation la plus importante qu'on a jamais observée au Manitoba. Cette capacité accrue sera également bénéfique aux propriétés situées en amont.

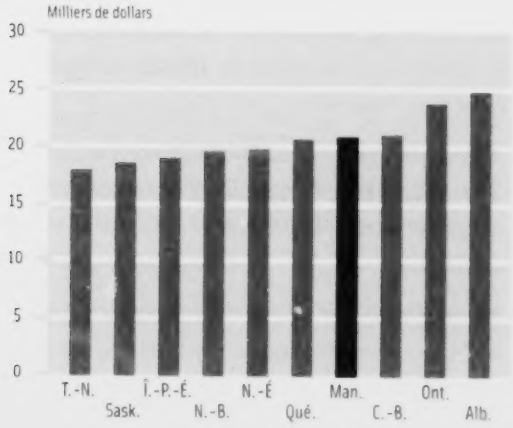
Ce projet d'immobilisations d'une valeur totale de 660 millions de dollars générera des possibilités économiques pour les communautés, les entreprises et les travailleurs de la province. Il permettra la création directe et indirecte de milliers d'emplois dans l'économie locale pendant la période des travaux, qui durera six ans, et engendrera pour les générations à venir des possibilités récréatives à l'intérieur et à l'extérieur de la ville.

La Province a également mis des ressources de lutte contre les inondations à la disposition des membres de la Première nation de Peguis, dont la communauté a été inondée par les eaux de la rivière Fisher. Une priorité importante de notre gouvernement est la négociation d'une initiative fédérale-provinciale à coûts partagés visant à améliorer la prévision et la prévention des inondations, ainsi que les mesures de réparation des dommages causés par ces inondations, dans la région de la rivière Fisher, y compris sur les terres de la Première nation de Peguis.

Pour mettre davantage en valeur les nombreux atouts naturels du Manitoba, nous avons créé cinq nouveaux parcs provinciaux depuis 1999 : ensemble, les parcs de la Vallée-de-la-Pembina, de la Rivière-Caribou, du Monastère-des-trappistes, Atikaki sud et Criddle/Vane Homestead représentent plus de 800 000 hectares. Nous avons également récemment signé une entente visant à établir le parc des Basses-Terres du Manitoba, qui sera le prochain parc national canadien à être créé.

Nous réserverons 350 000 dollars à l'Initiative de développement de lotissements pour chalets et

Revenu personnel disponible par habitant 2002



Source : Statistique Canada, comptes publics provinciaux, avril 2003

d'emplacements de camping dans les parcs provinciaux, et augmenterons les fonds consacrés à la sécurité des plages à 225 000 dollars. De plus, l'Initiative des zones protégées se verra attribuer un financement de 100 000 dollars pour le maintien de notre réseau de zones protégées.

L'économie manitobaine

Les points forts de l'économie manitobaine demeurent notre diversité et la capacité de notre population et de nos entreprises à innover, à moderniser et à s'adapter rapidement aux situations changeantes.

Ces points forts nous ont permis de faire face aux défis qui se sont présentés au cours de l'année écoulée.

Le Manitoba en construction

- Le centre MTS d'un coût de 133 millions de dollars et pouvant accueillir 15 000 personnes est en cours de construction.
- Le Centre d'ingénierie et des technologies de l'information de l'Université du Manitoba se voit attribuer 52 millions de dollars.
- 19 millions de dollars sont consacrés au projet de la Bibliothèque du Millénaire, qui est en cours de réalisation.
- Un complexe de bureaux d'un coût de 15 millions de dollars et situé au centre-ville est en cours de planification.
- 14 millions de dollars sont consacrés à l'Installation de partenariat industriel située à côté du Centre for Biodiagnostics du Centre national de recherche.
- La nouvelle tour à bureaux qu'Hydro-Manitoba prévoit de construire au centre-ville est en cours de planification.

Parmi les accomplissements du Manitoba en 2003, citons les suivants :

- une croissance globale de l'économie de 1,9 %, inférieure aux attentes initiales mais supérieure à la moyenne nationale;
- une croissance démographique de 7 584 habitants, notre meilleure performance depuis 1986;
- une migration nette de 1 055 jeunes de 15 à 24 ans, soit notre meilleur résultat depuis 1984;
- un taux de chômage de 5,0 %, soit le taux le plus bas au Canada;

- un nouveau record en matière d'investissements, avec une valeur totale de plus de six milliards de dollars;
- une augmentation de 16,3 % des mises en chantier de logements pour l'ensemble de la province;
- une croissance de 3,1 % du revenu disponible des particuliers, ce qui représente une croissance supérieure à la moyenne nationale;
- le taux d'inflation le plus bas au Canada.

Entre 2000 et 2003, il s'est créé en moyenne 6 500 emplois par an au Manitoba, soit le double de la moyenne de la décennie précédente. Sur ce nombre, 5 100 étaient des emplois à temps plein.

Les prévisions pour la prochaine année sont également prometteuses :

- le taux de croissance réelle du Manitoba devrait atteindre 2,9 % en 2004, soit un taux égal à la moyenne nationale;
- on prévoit une augmentation du total des investissements de capitaux de 5,4 % en 2004, ce qui mettra le Manitoba en troisième place parmi toutes les provinces et le fera dépasser l'augmentation nationale prévue, qui est de 3,1 %;
- on anticipe une augmentation de 2,2 % des investissements privés au Manitoba en 2004, un chiffre supérieur à la prévision nationale, qui est de 2,0 %;
- on estime que le total des investissements de capitaux au Manitoba atteindra 6,3 milliards de dollars en 2004, dont plus de 70 % en investissements privés; le total des investissements de capitaux dans notre province a augmenté de 22 % depuis 1999.

En 2003, le secteur manitobain du logement a affiché une croissance importante pour la troisième année de suite, les mises en chantier ayant augmenté de plus de 16 %. Au cours des trois dernières années, le nombre total de mises en chantier a augmenté de 64 % au Manitoba.

Il est à noter que le nombre de logements à plusieurs unités a augmenté de plus de 73 % l'année dernière, ce qui représente le meilleur résultat au Manitoba depuis 1989.

Depuis 1999, le prix moyen d'une maison a augmenté de 24 % dans l'ensemble de la province, un signe certain de la bonne santé de notre économie.

Comme toutes les provinces, le Manitoba a dû récemment faire face à des défis de taille, mais les fondations de notre économie demeurent solides et le pronostic est positif.

Nous continuerons à travailler en étroite collaboration avec le Conseil consultatif économique du premier ministre. Ce conseil, qui rassemble des chefs de file des secteurs des affaires, du travail, de l'éducation et de la communauté, et des dirigeants de la communauté autochtone, fait des recommandations au gouvernement sur les questions économiques importantes et participe à une réflexion créatrice sur les atouts du Manitoba et les défis auxquels il fait face.

Nous avons établi, sous l'égide du Conseil consultatif économique du premier ministre, un conseil d'investissement local rassemblant plusieurs intervenants, afin de travailler avec la collectivité

à l'établissement de relations plus suivies avec les établissements d'investissement, entre autres les caisses de retraite et les sociétés de gestion de capitaux permanents, dans le but d'accroître les investissements locaux.

Le groupe de travail du Conseil qui se consacre au développement économique autochtone et à l'emploi travaille à stimuler le développement économique de la communauté autochtone et à créer de nouvelles possibilités pour celle-ci.

Vers la fin de cette année, ce groupe de travail tiendra un Sommet sur le développement économique autochtone, qui sera organisé sur le même modèle réussi que le Sommet manitobain du siècle, avec comme objectif la création de nouvelles possibilités et de partenariats efficaces avec les communautés autochtones.

Tirer parti de notre atout énergétique

Le Manitoba est toujours à l'avant-garde du pays en ce qui concerne le dossier du changement climatique et la mise au point de sources d'énergie propre.

Nos ressources hydroélectriques abondantes, écologiquement saines et renouvelables demeurent un atout de premier ordre. Hydro-Manitoba offre des tarifs d'électricité parmi les plus bas du monde et a fait preuve d'une fiabilité exemplaire.

La Commission de protection de l'environnement étudie à l'heure actuelle le projet de construction du barrage Wuskwatim, dont la capacité serait de 200 mégawatts.

Cet investissement d'une valeur de 900 millions de dollars représenterait le projet de construction d'immobilisations le plus important depuis plus d'une décennie.

Notre gouvernement étudie les possibilités qui se présentent à l'est (en Ontario) et au sud de la province (aux États-Unis) afin d'encourager un plus grand nombre de ventes de grandes quantités d'énergie, lesquelles pourraient avoir pour effet une croissance importante du secteur de l'hydroélectricité et de l'emploi.

Le Toronto Star a fait la recommandation suivante : « L'Ontario, qui perdra presque la moitié de ses centrales électriques au cours des douze prochaines années en raison de leur vétusté, devrait sérieusement envisager l'achat d'autant d'électricité manitobaine que possible. »

En collaboration avec d'autres organisations, Hydro-Manitoba fait à l'heure actuelle des tests de contrôle dans plus de 16 endroits de la province afin de déterminer les possibilités qui existent. Le projet de parc d'éoliennes de Saint-Léon, dont la capacité prévue serait de 99 mégawatts, représenterait le projet le plus important de ce type au Canada et un investissement de 190 millions de dollars en milieu rural au Manitoba.

Nous consacrons beaucoup d'efforts à la diversification de l'économie rurale et à la résolution des problèmes posés par le changement climatique au moyen d'une augmentation de la production d'éthanol. Par l'intermédiaire de l'Office manitobain de l'éthanol, nous faisons le nécessaire pour coordonner la croissance

de l'industrie et encourager le développement de l'éthanol manitobain.

Nous prenons également les mesures nécessaires pour réduire notre consommation d'énergie, avec la mise sur pied d'une nouvelle agence polyvalente qui aidera les Manitobains et Manitobaines à réduire leurs factures énergétiques en profitant des excellents résultats du programme Éconergique d'Hydro-Manitoba. Cette agence permettra d'économiser de l'électricité, qui pourra alors être vendue sur des marchés lucratifs d'exportation, de réduire les importations de gaz naturel et de diminuer la consommation d'eau.

Bâtir grâce à la recherche et à l'innovation

La recherche et le développement sont des éléments clés de notre économie qui favorisent la croissance et la diversification, et qui nous permettent d'atteindre un meilleur niveau de vie. Le Manitoba a connu beaucoup de succès dans ce domaine, en particulier dans le secteur des sciences de la vie.

Au cours des deux dernières années, notre province a profité d'une augmentation de 40 % du nombre des entreprises dont les activités sont axées sur les sciences de la vie. Alors que la population du Manitoba représente approximativement 4 % de la population canadienne, la province du Manitoba rassemble environ 10 % des activités biotechnologiques nationales.

L'Université du Manitoba est déjà l'un des établissements de recherche les plus importants du Canada, avec plus de 20 centres de recherche. Le nombre de brevets enregistrés par l'université a quadruplé, passant de 11 à 40 brevets en trois ans. Les chercheurs de l'Université ont produit 2,4 millions de dollars de revenu l'année dernière grâce à ces brevets, et plus de 8 millions au cours des cinq dernières années.

Le SmartPark, qui rassemble à l'Université du Manitoba une communauté d'innovateurs dont les activités sont axées sur les sciences de la vie, les matériaux composites et les technologies de l'information et de la communication, continue à s'agrandir et comprend maintenant :

- l'agrandissement de l'entreprise Cangene Corporation, au coût de 8,5 millions de dollars;
- un investissement de six millions de dollars dans la construction de deux bâtiments à locataires multiples, à côté desquels il est prévu de construire un troisième bâtiment au coût de six à huit millions de dollars en 2004;
- un incubateur (Incubat) où de nouvelles entreprises sont mises sur pied.

Hartney, Winnipegosis et St-Pierre-Jolys figurent parmi les communautés qui ont maintenant accès à Internet par le truchement de connexions à grande vitesse et à bande large. Nous continuons à travailler avec le secteur privé et les organismes communautaires afin d'offrir ces services dans les régions de la province où ils n'existent pas actuellement.

Grâce à notre expertise en recherche, le Manitoba a pris un rôle de chef de file dans la lutte contre le SRAS, la maladie de la vache folle, le virus du Nil occidental et les nouveaux défis qui se présentent dans le domaine de la santé.

Le gouvernement fédéral est en train de décider où sera installé le centre canadien pour le contrôle des maladies, et nous croyons qu'il serait logique de choisir le Manitoba, où se trouve déjà le seul laboratoire de niveau 4 du pays, comme principal centre d'excellence de recherche dans le domaine des maladies infectieuses.

Aucune autre province et aucun autre territoire au Canada ne possèdent la combinaison unique de partenariats de recherche, de capacité scientifique, d'infrastructure et de professionnels compétents qu'offre le Manitoba.

Le Budget 2004 prévoit 250 000 dollars pour poursuivre le travail que nous effectuons avec le gouvernement fédéral et les experts en biotechnologie, afin de garantir que cet important institut national soit établi ici même, au Manitoba.

Taxes et impôts

Grâce à ses réductions fiscales à l'intention des particuliers introduites dans ses quatre derniers budgets, notre gouvernement a permis aux Manitobains et Manitobaines de réaliser une épargne annuelle de 301 millions de dollars. Quant aux entreprises, les réductions fiscales qui leur sont accordées s'élèvent à un total annuel de 74 millions de dollars.

Le présent Budget confirme la diminution, dès cette année, de 6 % du taux de prélèvement dans la tranche d'imposition intermédiaire, ce qui représente pour les contribuables du Manitoba une économie annuelle de 39 millions de dollars. Cet allègement fiscal est entré en vigueur en janvier 2004.

Dans la lignée des mesures introduites dans le Budget du gouvernement fédéral, le Budget 2004 du Manitoba fournit, de façon ciblée, un allègement fiscal supplémentaire de l'impôt sur le revenu des particuliers.

- Le crédit d'impôt en matière d'éducation sera modifié afin d'inclure les employés qui poursuivent à leurs propres frais des études liées à leur carrière.
- Une nouvelle déduction tiendra compte des coûts supplémentaires que doivent engager les personnes handicapées à des fins d'emploi ou d'études.
- Le système fiscal du Manitoba tiendra mieux compte de certaines dépenses, médicales ou liées à un handicap, que doivent engager les soignants des personnes handicapées au nom de ces dernières.
- Les militaires et les policiers dont l'affectation à l'étranger comporte de grands risques seront exonérés d'impôt en ce qui concerne leur revenu d'emploi, jusqu'à une certaine limite.

Je suis heureux d'annoncer plusieurs nouvelles mesures qui rendront le climat d'affaires au Manitoba encore plus concurrentiel.

- Le crédit d'impôt pour l'industrie cinématographique du Manitoba est prolongé d'une autre période de trois ans. Diverses mesures vont améliorer ce crédit d'impôt, y compris une prime à la production fréquente de films et, dans le but d'encourager le tournage à l'extérieur de Winnipeg, une mesure d'incitation à la production en milieu rural et dans le Nord.

- Le taux d'amortissement du matériel informatique, y compris le matériel des réseaux de données, augmentera de 50 % pour fins fiscales afin d'encourager les investissements des entreprises dans ce domaine.
- Le crédit d'impôt temporaire à l'exploration minière sera prolongé d'une autre année.
- La période de report prospectif des pertes autres qu'en capital passera de sept ans à dix ans. La même prolongation de période de report prospectif s'appliquera au crédit d'impôt à l'investissement manufacturier, au crédit d'impôt pour la recherche et le développement, et au crédit d'impôt au développement de l'entreprise communautaire. Le gouvernement autorisera également ce report de dix ans dans le cas du crédit d'impôt à l'enseignement coopératif.

Le Budget 2004 donne suite à notre plan à long terme d'atteindre des réductions fiscales durables.

- En 2001, nous avons présenté la première diminution du taux général de l'impôt sur les bénéfices des sociétés depuis la Deuxième Guerre mondiale. Le taux est progressivement passé de 17 % à 15,5 % en janvier 2004, et il descendra à 15,0 % en 2005.

Cadre financier à moyen terme

	2003-2004[1]	2004-2005	2005-2006	2006-2007	2007-2008
			(Millions de dollars)		
Recettes	7 279	7 571	7 849	8 051	8 408
Dépenses					
Programmes	7 135	7 233	7 420	7 633	7 871
Coût de la dette publique	256	239	275	293	293
Total	7 391	7 472	7 695	7 926	8 164
Recettes nettes (dépenses)	(112)	99	154	125	244
Ajustement pour dépenses liées aux situations d'urgence	75				
Tranferts interfonds					
Remboursement de la dette	(96)	(96)	(110)	(110)	(110)
Fonds de stabilisation des recettes	138	0	(34)	(5)	(124)
Solde, conformément aux mesures législatives sur l'équilibre budgétaire	5	3	10	10	10

Note (1) : Prévisions ajustées pour le troisième trimestre

Le Cadre financier à moyen terme reflète les hypothèses et les prévisions actuelles. Si les circonstances futures s'en éloignent, les décisions budgétaires refléteront les nouvelles circonstances.

État comparatif des recettes, des dépenses et des transferts, et solde budgétaire

2004-2005 et 2003-2004

	Budget 2004-2005	Prévisions 2003-2004	Budget 2003-2004	Écart positif/ (négatif) entre les prévisions 2003-2004 et le Budget 2004-2005		Écart positif/ (négatif) entre le budget 2003-2004 et le Budget 2004-2005	
		(Millions de dollars)		(Millions de dollars)	%	(Millions de dollars)	%
Recettes							
Autonomes	5 124	4 774	4 806	350	7,3	318	6,6
Transferts fédéraux	2 447	2 505	2 496	(58)	(2,3)	(49)	(2,0)
Total des recettes	7 571	7 279	7 302	292	4,0	269	3,7
Dépenses							
Programmes	7 233	7 135	7 037	98	1,4	196	2,8
Service de la dette	239	256	271	(17)	(6,6)	(32)	(11,8)
Total des dépenses	7 472	7 391	7 308	81	1,1	164	2,2
Recettes nettes/ (Dépenses)	99	(112)	(6)	211		105	
Ajustement pour dépenses liées aux situations d'urgence	0	75	0	(75)		0	
Transferts interfonds							
Remboursement de la dette et de l'obligation découlant des régimes de retraite	(96)	(96)	(96)	0		0	
Fonds de stabilisation des recettes	0	143	48	(143)		(48)	
Retraitement	0	(5)	64	5		(64)	
Solde, conformément aux mesures législatives sur l'équilibre budgétaire	3	5	10	(2)		(7)	

- Nous élevons de nouveau le plafond des bénéfices imposables des petites entreprises, pour la troisième année de suite: il sera élevé de nouveau en 2005, passant alors à 400 000 $.
- Dans le but d'encourager les entreprises de toute taille à investir, nous accorderons aux corporations une exemption d'impôt sur leurs cinq premiers millions de dollars de dépenses en capital.

Dans le but de protéger les services essentiels, le Budget 2004 atteint un point d'équilibre entre de nouveaux gains d'efficience, une réduction des dépenses et des recettes supplémentaires. Nous comprenons qu'il faudra modifier l'imposition des entreprises afin de contribuer au financement de la réduction du taux général de l'impôt sur les bénéfices des sociétés. Et nous sommes en voie de conformer plus étroitement l'assiette de l'impôt sur le capital des établissements bancaires à celles des provinces voisines et du gouvernement fédéral. En conformité avec beaucoup d'autres provinces, le Manitoba appliquera la taxe sur les ventes au détail aux services légaux et comptables, ainsi qu'aux services dans le domaine de l'architecture, du génie et de la sécurité.

Nous annonçons aujourd'hui que le taux général d'imposition des bénéfices des sociétés sera abaissé à 14,5 %, et que celui des petites entreprises sera abaissé à 4,5 %.

Pour la première fois depuis la fin des annés 1980, la marge commerciale des produits de la Société des alcools du Manitoba sera également modifiée.

Si on ajoute aux mesures annoncées antérieurement qui entrent en vigueur cette année les modifications fiscales du présent Budget, ces dernières n'ont, dans l'ensemble, aucune incidence sur les revenus des contribuables du Manitoba.

Notre plan financier

Le Budget 2004 prévoit un solde positif de trois millions de dollars. Pour la première fois depuis 1996, il n'y aura aucun prélèvement du Fonds de stabilisation des recettes. Le Budget 2004 affecte également un autre versement de 96 millions de dollars au remboursement de la dette et à la réduction de l'obligation découlant des régimes de retraite.

Au cours des cinq dernières années, l'obligation de rendre compte à la population du Manitoba a été mieux observée par la présentation de rapports plus transparents et plus complets. Nous avons produit le premier rapport gouvernemental annuel - un élément essentiel du cycle de l'obligation redditionnelle - et nous avons introduit de meilleures pratiques comptables au chapitre de l'acquisition d'immobilisations. En plus des états financiers abrégés, nous présentons maintenant des budgets sommaires qui se rapportent à l'ensemble de l'entité comptable de l'administration publique, y compris en ce qui concerne l'obligation, non capitalisée pendant 40 ans, découlant des régimes de retraite.

À compter du présent Budget, deux changements additionnels démontrent bien notre engagement à améliorer sans cesse la présentation de l'information financière. Conformément aux normes du Conseil sur la

comptabilité dans le secteur public, nous introduisons dans le Budget 2004 une nouvelle pratique comptable relative à la capitalisation des immobilisations d'infrastructure. Cette politique reflète d'autres changements que nous avons faits précédemment pour certaines acquisitions d'immobilisations.

Dans les documents budgétaires de cet exercice, nous présentons également un cadre financier à moyen terme sous forme de sommaire. Nous croyons que cette information additionnelle aidera la population du Manitoba à mieux comprendre nos plans d'avenir pour le gouvernement dans son ensemble.

À moyen terme, nos prévisions indiquent un solde positif des comptes courants en 2004-2005. De même, un solde positif, dans l'ensemble, pour nos sociétés de la Couronne, y compris Hydro-Manitoba, la Société d'assurance publique du Manitoba et la Société d'assurance-récolte du Manitoba. Nous continuons à nous attaquer à l'obligation découlant des régimes de retraite, obligation non capitalisée pendant 40 ans, par des mesures de capitalisation intégrale du régime de retraite de chaque nouveau fonctionnaire, en plus de réduire ladite obligation par un versement annuel.

Le cadre financier à moyen terme prévoit que les soldes positifs vont se poursuivre dans les années à venir.

Conclusion

Monsieur le Président, nous nous souviendrons de l'exercice qui vient de se terminer comme d'une année remplie de grands défis. Mais nous avons pu constater encore une fois que, confronté à un pareil test, le Manitoba a les qualités d'endurance, de compétence et de leadership requises pour relever ces défis avec succès. En partenariat avec tous les Manitobains et Manitobaines, nous sommes en voie de créer un avenir meilleur pour toutes les communautés de notre province.

Nous ne nous sommes pas laissés détourner de nos objectifs communs : de meilleurs soins de santé, plus de possibilités éducatives, des familles plus solides et des communautés plus sûres. Notre économie est en pleine croissance, la confiance des consommateurs est élevée, notre marché de l'habitation est vigoureux, et notre immigration a atteint un niveau historique.

Pendant cinq années de suite, nous avons équilibré notre Budget, réduit la dette et l'obligation découlant des régimes de retraite, et investi dans les programmes que la population juge prioritaires. Notre gouvernement a également pris des mesures concrètes pour accroître son efficience et demeurer une des administrations les plus abordables du Canada.

Le Budget 2004 s'appuie sur les solides progrès des dernières années. En relevant les défis d'aujourd'hui, nous assurons de meilleures possibilités pour l'avenir et pour la prochaine génération de Manitobains et Manitobaines.

MANITOBA 2004

LES AVANTAGES *du* MANITOBA

LES DÉFIS D'AUJOURD'HUI
LES POSSIBILITÉS DE DEMAIN

Manitoba
Bâtir l'avenir

LES AVANTAGES DU MANITOBA

LES AVANTAGES DU MANITOBA

Table des matières

LES AVANTAGES DU MANITOBA 1

LES AVANTAGES DU MANITOBA
DANS LE DOMAINE DES ARTS ET DE LA CULTURE 9

Annexe 1 - LE MANITOBA : UN ENVIRONNEMENT CONCURRENTIEL
POUR LE SECTEUR MANUFACTURIER 12

Comparaison de la compétitivité entre différentes villes 13

Conclusion 17

Annexe 2 - COMPARAISON INTERPROVINCIALE DU COÛT ANNUEL DES
DÉPENSES PERSONNELLES, DES TAXES ET DES IMPÔTS EN 2004 18

ISSN 1705-8953

Pour en savoir plus sur **Les avantages du Manitoba,**
consultez les sites Web suivants du gouvernement du Manitoba :

Finances Manitoba : www.gov.mb.ca/finance/index.fr

Industrie, Développement économique et Mines Manitoba : www.gov.mb.ca/itm/index.fr

LES AVANTAGES DU MANITOBA

Le Manitoba est actif!

Au cours des quatre dernières années, le nombre d'emplois a augmenté de 26 000 au Manitoba et aujourd'hui plus de Manitobains et Manitobaines que jamais travaillent.

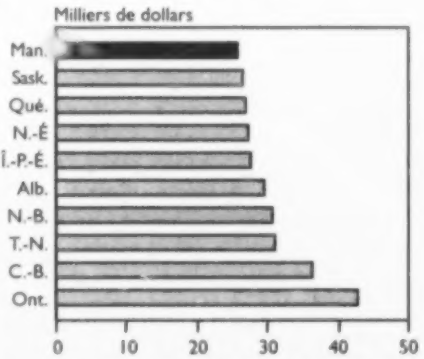
L'an dernier, le Manitoba avait le taux de chômage le plus bas au Canada. De fait, pendant trois des quatre dernières années, la province a enregistré le taux de chômage le plus faible au pays. En ce qui concerne le chômage chez les jeunes, l'an dernier le Manitoba se classait au deuxième rang parmi les provinces ayant les plus bas taux de chômage, avec un taux inférieur de quatre points de pourcentage entiers à la moyenne nationale.

En 2003, le taux de croissance de l'économie manitobaine a été supérieur au taux de croissance national. Le revenu personnel disponible par habitant a augmenté de 2,4 % l'an dernier, comparativement à 1,9 % pour l'ensemble du Canada. Grâce à l'augmentation solide des revenus au Manitoba, la construction de logements a atteint son plus haut niveau depuis 1988.

Notre province continue d'attirer un nombre croissant d'immigrants. En 2003, la population manitobaine a augmenté à un taux sans pareil depuis le milieu des années 1980. La migration nette a joué un rôle catalyseur dans cette importante augmentation, alors que le nombre d'immigrants s'établissant au Manitoba atteignait un chiffre inégalé en 20 ans. L'amélioration des courants d'immigration, tant interprovinciaux qu'internationaux, contribue à l'accroissement de la population.

La confiance des entreprises reste grande, ce qui permettra une hausse de 2,2 % des investissements du secteur privé l'an prochain, dépassant ainsi la hausse canadienne prévue. Au cours des cinq dernières années, les investissements du secteur privé au Manitoba ont augmenté de 19 %.

Comparaison des dépenses personnelles, taxes et impôts annuels en 2004*
Famille de quatre, deux revenus
Revenu total : 60 000 $



*Comprennent l'impôt sur le revenu, la taxe sur les ventes au détail et la taxe sur l'essence, les cotisations d'assurance-santé, les frais d'hypothèque, la garde d'enfant, l'assurance automobile, le téléphone, l'électricité, le chauffage et l'impôt foncier.

Cotes de crédit du Manitoba
Avril 2004

	Cote de crédit	Rang provincial*
Moody's Investors Service	Aa2	2e (ex æquo)
Standard & Poor's	AA-	3e (ex æquo)
DBRS	A	4e (ex æquo)

*1 = plus élevé
Moody's – haussée en janvier 2003
Standard & Poor's – confirmée en juillet 2002
DBRS – haussée en septembre 2003

Prix moyen d'une maison de catégorie grand luxe

Toronto	850 405 $
Vancouver	709 434
Montréal	578 157
Calgary	494 200
Halifax	348 333
Fredericton	256 000
St. John's	251 667
Charlottetown	240 000
Winnipeg	**221 500**
Regina	211 000

Source : *Étude sur le prix des maisons au Canada* (quatrième trimestre 2003), Royal LePage

Prix moyen d'une maison en rangée de catégorie standard

Vancouver	286 404 $
Toronto	277 499
Calgary	169 933
Montréal	168 474
Fredericton	120 000
Halifax	117 125
Regina	117 000
St. John's	91 333
Charlottetown	86 000
Winnipeg	**81 188**

Source : *Étude sur le prix des maisons au Canada* (quatrième trimestre 2003), Royal LePage

L'environnement commercial concurrentiel et la réussite économique du Manitoba résultent d'une combinaison unique de facteurs que l'on appelle « Les avantages du Manitoba ». Ces avantages sont les suivants :

- une main-d'œuvre productive, instruite et multilingue;
- un réseau de télécommunications étendu et moderne;
- un environnement extrêmement favorable aux entreprises en termes de coûts, notamment le coût abordable des bureaux et des terrains, les coûts de construction modestes, et des taxes et impôts raisonnables;
- des coûts d'électricité parmi les plus bas en Amérique du Nord, avec des ressources hydroélectriques très fiables, renouvelables et respectueuses de l'environnement;
- un large réseau d'installations de recherche et de développement qui favorise l'innovation et la diffusion de la technologie;
- une position géographique idéale, au cœur du continent nord-américain, sur le fuseau horaire du Centre;
- un réseau de voies de communication et d'installations intermodales qui est efficient sur le plan des coûts et qui permet l'expédition des marchandises par route, par chemin de fer, par avion et par bateau;
- un coût de la vie fortement concurrentiel, y compris les tarifs d'assurance automobile les plus faibles au Canada;
- des services publics fiables et accessibles, notamment un système de santé et un système d'éducation universels et de qualité;
- des collectivités sûres, une communauté artistique et culturelle dynamique et un environnement naturel attrayant – autant de facteurs qui contribuent à une qualité de vie sans pareille.

Ce document budgétaire décrit les avantages du Manitoba, notamment les coûts, les taxes et les impôts pour les entreprises et les particuliers, ainsi que des faits sur la qualité de vie au Manitoba, les avantages de la province dans le domaine des arts et de la culture et les investissements en capital-risque au Manitoba.

Les avantages du Manitoba : de quoi s'agit-il?

Le Manitoba possède une des économies les plus diversifiées du Canada. On trouve au Manitoba plusieurs industries importantes comme l'aérospatiale, la fabrication d'autobus, la transformation des aliments, les produits de santé, la recherche dans le secteur de la santé, les services financiers, la production d'électricité, les produits chimiques, l'agriculture et le transport. L'économie du Manitoba n'est pas seulement forte, elle est équilibrée : aucun secteur économique ne domine à lui seul le paysage économique provincial.

La diversité de notre structure économique garantit la stabilité de l'économie provinciale dans son ensemble. Au cours des cinq dernières années, le Manitoba a connu la croissance du produit intérieur brut (PIB) réel la plus régulière des provinces canadiennes. Ce contexte de certitude économique contribue à une plus grande stabilité de la main-d'œuvre et à un climat d'affaires local prévisible.

Les tarifs d'hydroélectricité au Manitoba sont parmi les plus bas au monde. Hydro-Manitoba, une des plus importantes sociétés d'électricité en Amérique du Nord, possède une capacité de production de plus de 5 000 mégawatts et un potentiel de croissance immense. Presque toute cette électricité est produite par des installations hydrauliques propres, fiables et respectueuses de l'environnement.

Le Manitoba est situé à l'extrémité nord du couloir commercial du milieu du continent, et

« Les primes d'assurance automobile en Colombie-Britannique, en Saskatchewan, au Manitoba et au Québec, provinces où il existe un système public d'assurance automobile, sont les plus faibles au Canada et, dans certain cas, considérablement plus faibles… Les automobilistes de Winnipeg paient des primes plus faibles que dans toute autre capitale provinciale au Canada. »

Association des consommateurs du Canada
Septembre 2003

L'étude Choix concurrentiels, *menée par KPMG en février 2004, a confirmé d'autres analyses démontrant que Winnipeg est l'une des villes canadiennes les moins chères où mener des activités commerciales.*

à l'intersection principale de l'axe est-ouest du système de transport canadien. Winnipeg est la seule ville importante située entre Vancouver et Thunder Bay qui soit directement reliée aux lignes de chemin de fer américaines. Ces éléments avantagent le Manitoba en ce qui concerne l'expansion du commerce et du réseau de voies de communication. À Winnipeg se trouvent des installations de formation des trains vastes et modernes qui permettent de gérer plus de 5 000 wagons par jour. Deux gares intermodales permettent le passage en transit de 125 000 conteneurs chaque année. Plus de trente grandes sociétés de transport routier, nationales et internationales, ont un terminal à Winnipeg. Cet ensemble d'installations offre aux entreprises une grande flexibilité et des coûts moindres, ainsi qu'un accès aisé aux marchés mondiaux importants.

L'Aéroport international de Winnipeg est l'un des quelques grands aéroports nord-américains qui fonctionnent 24 heures sur 24. Il offre une vaste gamme de services, dont des transporteurs internationaux et régionaux, et des avions-cargo à réaction. L'aéroport dispose également d'installations importantes pour le transport des marchandises et du courrier. Trois millions de passagers et 100 000 tonnes de marchandises y transitent chaque année.

Churchill est le seul port en eau profonde de la région des Prairies. Situé sur la baie d'Hudson, il permet au commerce de l'Atlantique d'atteindre l'Ouest canadien. Le port offre aux expéditeurs d'importants avantages en termes de coûts pour le transport océanique entre le Canada et l'Europe, l'Afrique et l'Amérique latine.

Le Manitoba dispose d'abondantes ressources naturelles. L'industrie minière produit une variété de minéraux, notamment du nickel, du cuivre, du zinc, de l'or et du tantale. Le Manitoba possède une industrie forestière importante et bien établie qui produit du papier, du papier journal et du

bois d'œuvre. L'industrie de la pêche commerciale génère 30 millions de dollars chaque année. Grâce à une gestion prudente, le développement durable des ressources naturelles du Manitoba est garanti aujourd'hui et dans l'avenir.

La population manitobaine bénéficie d'une connectivité avancée, grâce à l'infrastructure complète et moderne dont elle dispose en matière de télécommunications. Le Manitoba offre une multitude de services à large bande et son réseau cellulaire s'étend à presque toute la population de la province.

La recherche et l'innovation continuent à jouer un rôle important dans la croissance et la diversification économiques du Manitoba. La province possède un noyau solide et croissant de connaissances dans de nombreux domaines, bien que ce soit dans celui des sciences de la vie que les activités de recherche et de développement sont les plus remarquables. Le secteur privé, le gouvernement et les établissements d'enseignement postsecondaire soutiennent l'infrastructure de recherche et de développement en pleine croissance de la province.

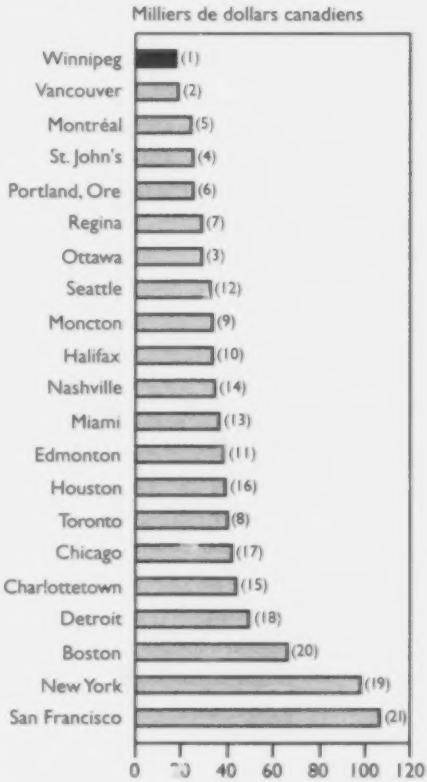
Le Manitoba maintient son engagement à fournir des services publics de qualité, comme les soins de santé. Au Manitoba, on n'exige pas de frais personnels ni de cotisation d'assurance-santé des employeurs ou des particuliers. Cela représente un avantage majeur par rapport aux États-Unis, à la fois pour les entreprises et pour la population. En effet, en 2003, les employeurs américains ont dû débourser en moyenne 6 600 dollars ($ US) par employé en frais d'assurance-santé familiale.

Une économie prospère et croissante exige que l'on possède les compétences et les connaissances nécessaires pour relever les défis du 21e siècle. Les Manitobains et Manitobaines disposent d'un excellent système d'éducation publique, qui offre entre autres des possibilités d'éducation postsecondaire abordable et de grande qualité dans

Facture mensuelle d'électricité industrielle

Clientèle commerciale et industrielle de taille moyenne

400 000 kilowatt-heures, 2003



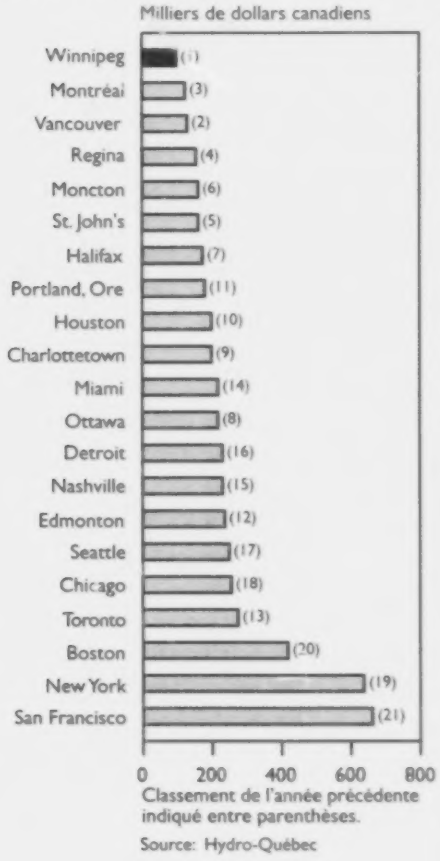
Classement de l'année précédente indiqué entre parenthèses.

Source : Hydro-Québec

Facture mensuelle d'électricité industrielle

Clientèle commerciale et industrielle de grande taille

3 060 000 kilowatt-heures, 2003



Classement de l'année précédente indiqué entre parenthèses.

Source: Hydro-Québec

plusieurs universités et collèges. L'enseignement postsecondaire continue d'être abordable au Manitoba et les droits de scolarité du premier cycle sont parmi les plus bas au Canada. Environ 20 000 étudiants à plein temps et quelque 14 500 étudiants à temps partiel fréquentent l'Université du Manitoba, la plus grande des quatre universités de la province. Cette université offre un grand choix de programmes d'études postsecondaires et des cycles supérieurs, notamment dans le domaine des sciences, des arts, de la médecine, du droit, de l'architecture, de l'ingénierie et de l'agriculture. Il y a également 16 000 étudiants inscrits à temps plein ou à temps partiel dans les trois autres universités manitobaines. L'an dernier, presque 6 000 étudiants ont terminé leurs études universitaires au Manitoba. En plus des universités, environ 14 000 élèves fréquentent, à temps plein ou à temps partiel, les trois collèges communautaires du Manitoba.

Grâce à l'aspect concurrentiel de ses taxes, impôts et frais d'exploitation, le Manitoba est devenu l'une des provinces canadiennes les plus avantageuses pour faire des affaires. L'étude *Choix concurrentiels*, menée par KPMG en février 2004, a confirmé d'autres analyses démontrant que Winnipeg est l'une des villes canadiennes les moins chères où mener des activités commerciales. Pour en savoir plus sur les avantages qu'offre le Manitoba en termes de coûts d'exploitation, voir l'Annexe 2 « Comparaison interprovinciale du coût annuel des dépenses personnelles, des taxes et des impôts », p. 18.

■ Les avantages du Manitoba relativement à la qualité de vie

Winnipeg est reconnue comme l'une des villes canadiennes les plus favorables à la famille. Le Manitoba est un endroit idéal où élever une famille, grâce à un coût de la vie abordable, de bonnes écoles, d'excellentes possibilités de garde d'enfant et un environnement sécuritaire.

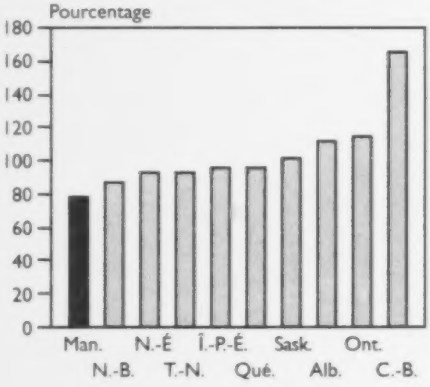
Les Manitobains et Manitobaines se soucient des autres. Notre taux de bénévolat est toujours un des meilleurs au pays et, de toutes les provinces, c'est au Manitoba que le nombre de dons de charité est proportionnellement le plus élevé. Tout cela reflète notre esprit communautaire et notre longue tradition d'altruisme.

La scène artistique et culturelle de Winnipeg est active et dynamique, notamment grâce au Musée des beaux-arts de Winnipeg, au Musée du Manitoba, au Royal Winnipeg Ballet, au Winnipeg Symphony Orchestra et à plusieurs théâtres. La diversité de la population manitobaine a créé une riche et fascinante mosaïque de réussites artistiques et culturelles. Pour plus de détails, vous pouvez consulter la partie intitulée « Les avantages du Manitoba dans le domaine des arts et de la culture », p. 9.

Le Manitoba a une longue tradition dans le domaine des sports. Il y a au Manitoba des équipes sportives professionnelles de la Ligue canadienne de football, de la Ligue américaine de hockey et de la Northern Baseball League. Avec plus de 120 terrains de golf, le Manitoba a l'un des plus grands nombres de terrains de golf par golfeur au Canada, ainsi qu'un des taux de participation les plus élevés au pays. Plus d'une personne sur quatre joue au golf dans la province chaque année.

Les plages, les lacs et les parcs font partie intégrante de la qualité de vie au Manitoba. Le Manitoba est la province des 100 000 lacs. Étant donné la proximité des lacs et le coût abordable des résidences secondaires de vacances, le Manitoba est l'endroit au pays où l'on compte le plus grand nombre de propriétaires de ce type de résidence. Au Manitoba, l'hiver offre l'occasion de pratiquer de nombreuses activités récréatives pour toute la famille : ski, curling, motoneige et, bien sûr, hockey. Que vous soyez spectateur ou participant, les possibilités d'activités récréatives sont presque illimitées.

Dette des ménages en pourcentage du revenu personnel disponible, 2001



Source : Groupe Financier Banque TD

Le Budget 2004 met à profit les avantages considérables du Manitoba. Vous trouverez ci-après deux annexes qui illustrent en détail les coûts concurrentiels du Manitoba. La première, intitulée « Le Manitoba : un environnement concurrentiel pour le secteur manufacturier », offre une comparaison détaillée des coûts, des taxes et des impôts d'entreprises représentatives dans diverses villes du Canada et des États-Unis (voir p. 12). La deuxième annexe est une comparaison interprovinciale du coût annuel des dépenses personnelles, des taxes et des impôts (voir p. 18).

LES AVANTAGES DU MANITOBA DANS LE DOMAINE DES ARTS ET DE LA CULTURE

La culture et les arts font partie intégrante du style de vie manitobain. Notre scène culturelle trouve ses sources dans la diversité de notre mosaïque ethnique, dans des attractions de niveau international et dans l'imagination et la créativité des Manitobains et Manitobaines. Étant donné que la culture est un secteur économique clé à part entière et, qu'en plus, elle joue un rôle de catalyseur de créativité et de croissance, le gouvernement du Manitoba participe activement au soutien et à la promotion de cette industrie.

La scène culturelle et artistique manitobaine

Le Manitoba bénéficie d'une grande diversité culturelle. Les minorités visibles et les Autochtones représentent plus d'un cinquième de notre population, ce qui place le Manitoba au deuxième rang des provinces à ce chapitre.

La culture autochtone est un élément important du patrimoine du Manitoba et constitue une force croissante pour ce qui est de l'expression artistique contemporaine.

La Ville de Winnipeg est fière de compter une importante population francophone, la deuxième parmi les communautés francophones hors Québec. Le plus grand peuplement islandais hors de l'Islande, ainsi que de dynamiques communautés autochtones, ukrainiennes et mennonites, se trouvent aussi dans la province. Une multitude d'installations et de manifestations permettent de célébrer cette diversité ethnique, y compris le Mennonite Heritage Village, au nord de Steinbach, le Red Roots Theatre, seule organisation théâtrale autochtone au Manitoba, le Winnipeg Jewish Theatre, le Centre culturel franco-manitobain à Saint-Boniface et Le Cercle Molière, le plus vieux théâtre toujours en activité au Canada.

Le Manitoba abrite de nombreuses attractions culturelles de classe internationale. Le Royal Winnipeg Ballet a été l'une des premières troupes de danse fondées au Canada; aujourd'hui, il ravit le public aussi bien dans sa ville d'origine que dans le reste du monde. Ont également élu domicile chez nous le Winnipeg Symphony Orchestra, le Manitoba Opera et un grand nombre de galeries d'art, de musées et de sites historiques de grande qualité. La Fourche, le Musée des beaux-arts de Winnipeg, le Musée du costume de Dugald et des sites historiques comme le Lower Fort Garry sont quelques exemples d'attractions manitobaines, parmi des centaines d'autres. Le Musée du Manitoba est un des endroits favoris des touristes; il accueille chaque année 400 000 visiteurs et a obtenu la cote trois étoiles du Guide Michelin. Parmi d'autres sites excellents, mentionnons le Keystone Centre et le Western Centennial Auditorium à Brandon, ainsi que le Prairie Theatre Exchange, le Rainbow Stage et le Manitoba Theatre Centre à Winnipeg.

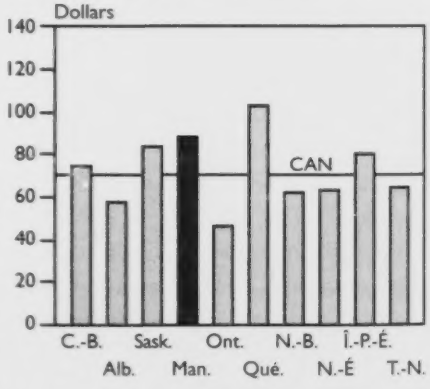
Il y a des festivals de premier ordre toute l'année au Manitoba, et dans toutes les régions de la province. Pour ce qui est des manifestations d'hiver, citons le Festival des trappeurs du Nord du Manitoba, au Pas, lequel festival fête ses 57 ans cette année, le Festival du Voyageur à Saint-Boniface, le plus important festival d'hiver de l'Ouest canadien, ayant attiré plus de 150 000 visiteurs en 2003, et la Royal Manitoba Winter Fair à Brandon.

Plusieurs manifestations de classe mondiale ont lieu à Winnipeg en été. L'an dernier, le Winnipeg Folk Festival a marqué un anniversaire important : 30 ans de regroupement des amateurs de bonne musique à Winnipeg au mois de juillet. De même, chaque année, les pavillons de Folklorama, élu le meilleur festival du Canada, attirent plus de 400 000 visites en deux semaines d'activités. Le 16e Winnipeg Fringe Festival, qui occupe le deuxième rang parmi les événements de ce genre en Amérique du Nord, a accueilli plus de 142 000 visiteurs l'été dernier, avec des artistes venus de la France, de l'Angleterre, de l'Écosse, de l'Afrique du Sud et des États-Unis. Le Festival de jazz de Winnipeg, le Festival national ukrainien qui a lieu à Dauphin et le Icelandic Festival de Gimli sont d'autres exemples de manifestations de grande envergure. On peut aussi visiter des foires et des expositions communautaires pleines de vie aux quatre coins de la province. Certaines manifestations visent plus particulièrement les jeunes, y compris Freeze Frame, un festival du film pour enfants et adolescents, et le Winnipeg International Children's Festival, qui met à profit des attractions de grande qualité pour les enfants comme le Manitoba Theatre for Young People et le Musée des enfants du Manitoba.

■ Aide de la Province aux arts et à la culture

Les arts et la culture jouent un rôle clé dans l'amélioration de notre économie et de notre compétitivité économique. Plus de 14 000 Manitobains et Manitobaines travaillent dans le domaine des arts et de la culture. Le Manitoba figure parmi les provinces où le taux de participation et le montant par habitant consacré aux arts et à la culture sont les plus élevés. Une récente étude de la Canada West Foundation, intitulée *Culture and Economic Competitiveness*, souligne les retombées sociales positives des industries culturelles, dont l'amélioration de la santé et du bien-être de la population, le renforcement de l'identité communautaire et de la cohésion sociale, et la revitalisation de la communauté.

Dépenses des gouvernements provinciaux pour la culture en 2001-2002, par habitant



Source : Statistique Canada

La culture et les loisirs bénéficient du soutien actif du gouvernement du Manitoba. Selon Statistique Canada, les dépenses directes de la Province dans ce secteur d'activité ont totalisé 101,7 millions de dollars au cours de l'exercice 2001-2002, la dernière période de collecte de données sur la culture. Cela représente 89 dollars par habitant, ce qui place le Manitoba au deuxième rang des provinces dans ce domaine.

L'industrie de la réalisation de films et de vidéos est en croissance rapide dans la province, avec un budget total de 109 millions de dollars l'an passé. Le gouvernement manitobain a fourni une aide directe de 8,4 millions de dollars à cette industrie en 2003-2004 au moyen du crédit d'impôt pour l'industrie cinématographique du Manitoba, de la participation directe au capital et d'autres programmes.

Le gouvernement manitobain aide aussi indirectement de nombreux groupes par des crédits d'impôts pour dons de bienfaisance. Le montant total des dons de ce genre au Manitoba, y compris ceux à tous les organismes de bienfaisance enregistrés, atteignait en l'an 2001 près de 490 millions de dollars, dont environ 270 millions provenaient de particuliers. Grâce aux déductions fiscales pour dons de bienfaisance, le gouvernement du Manitoba a distribué aux organismes de bienfaisance approximativement 80 millions de dollars en 2001, dont quelque 42 millions sous forme de crédits d'impôt à des particuliers.

Annexe 1

LE MANITOBA : UN ENVIRONNEMENT CONCURRENTIEL POUR LE SECTEUR MANUFACTURIER

Le secteur manufacturier est le plus grand secteur économique du Manitoba, représentant environ 13 % du PIB provincial et 66 % des exportations totales de marchandises vers l'étranger. Près de 70 % des exportations de marchandises de la province vers les États-Unis sont des produits manufacturés.

Le secteur manufacturier emploie directement un travailleur manitobain sur huit, soit 69 200 personnes en 2003. De nombreux autres Manitobains travaillent dans des industries qui dépendent des activités manufacturières.

Le secteur manufacturier manitobain est hautement diversifié et génère une grande variété de biens industriels et de biens de consommation, principalement des autobus urbains et interurbains, du matériel aérospatial, des produits chimiques et des engrais, de la machinerie, des produits pharmaceutiques, des viandes transformées, des légumes et produits céréaliers transformés, des meubles, du prêt-à-porter, du papier journal, des produits en matière plastique, des fenêtres et des produits métalliques. Le Manitoba est le plus important fabricant d'autobus en Amérique du Nord, et l'emplacement de la plus grande usine de meubles du Canada, propriété de Palliser Furniture. Les Aliments Maple Leaf possèdent à Brandon, la deuxième ville en importance de la province, un établissement de transformation des viandes parmi les plus grands du monde, et des plus performants du point de vue technologique. Le Manitoba est un centre de l'aérospatiale et de l'industrie du prêt-à-porter et il occupe, dans ces deux domaines, le troisième rang en importance au Canada.

À la fois concurrentiel et efficace sur le plan des coûts, le contexte commercial du Manitoba continue à attirer des investissements manufacturiers. Les fabricants tirent profit de la situation centrale de la province et de son excellent réseau de transport vers les autres régions de l'Amérique du Nord. Au Manitoba, les terrains à usage industriel ou commercial coûtent moins cher que dans d'autres grands centres urbains, et les frais d'électricité sont parmi les plus bas du monde. De plus, la main-d'œuvre du Manitoba est instruite et compétente, prête à profiter des possibilités que présente la croissance du secteur manufacturier.

Le ministère des Finances du Manitoba utilise depuis 1992 un modèle de mesure de la compétitivité qui lui permet de comparer la structure fiscale et l'ensemble des coûts de deux entreprises représentatives, une petite et une grande. Ce modèle permet de savoir où se situe le Manitoba en matière de compétitivité par rapport à d'autres villes nord-américaines.

Le modèle simule les coûts de lancement, les frais d'exploitation et les profils financiers et fiscaux sur une période de vingt ans. Il tient compte des changements fiscaux à venir qui ont été annoncés par les gouvernements provinciaux, le gouvernement fédéral et les gouvernements des

États américains. Les profils d'entreprises représentatives ont été actualisés à l'aide des données les plus récentes de Statistique Canada, des conseils de développement économique local et d'autres sources publiques.

■ Comparaison de la compétitivité entre différentes villes

Les indicateurs suivants sont utilisés pour évaluer, sur une période de vingt ans, la compétitivité en matière de coûts, de taxes et d'impôts de deux entreprises manufacturières, l'une petite et l'autre plus grande :

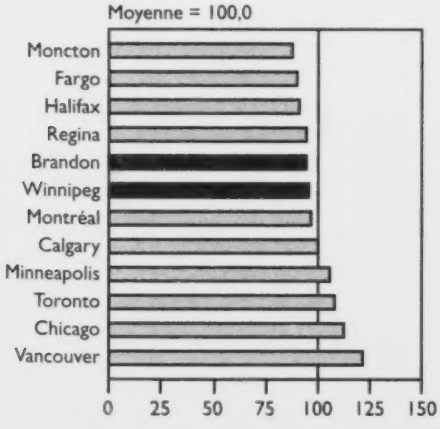
- le coût net d'investissement ou les coûts de lancement (y compris les taxes et impôts);
- les bénéfices nets, avant impôts;
- les taux d'imposition réels;
- les taux de rentabilité interne.

L'analyse prend comme point de départ un modèle de coûts variables et calcule le revenu net et les mouvements de trésorerie, y compris les coûts de lancement, en se basant sur les frais d'exploitation de chaque endroit. Les résultats de chaque ville sont comparés à la moyenne globale de toutes les villes pour chacun des indicateurs et sont présentés dans les graphiques qui suivent.

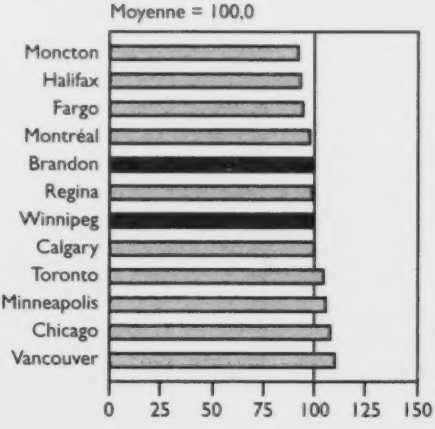
Coût net d'investissement

Les coûts de lancement d'une installation de production (terrain, bâtiment, équipement et matériel) au Manitoba sont inférieurs à la moyenne de toutes les villes. Le coût net d'investissement dans les centres urbains de plus grande taille a tendance à être supérieur à la moyenne, principalement à cause du coût plus élevé des terrains et du coût de la main-d'œuvre chargée de la construction de l'installation.

Coût net d'investissement
Petite entreprise manufacturière



Coût net d'investissement
Grande entreprise manufacturière



Bénéfices nets avant impôt

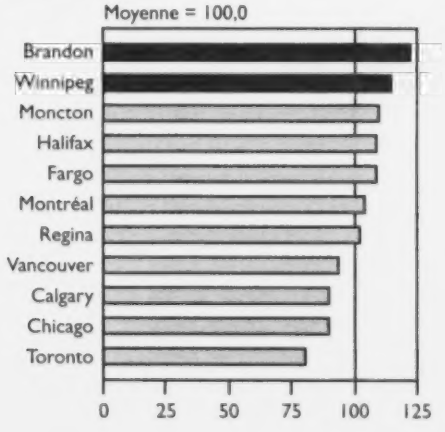
Le modèle calcule les bénéfices nets avant impôt en soustrayant d'un niveau de revenu commun les frais d'exploitation suivants, qui varient en fonction de la ville concernée :

- les salaires moyens dans le secteur manufacturier;
- les frais locaux des services publics (électricité et téléphone);
- les frais d'intérêts;
- la dépréciation des immobilisations.

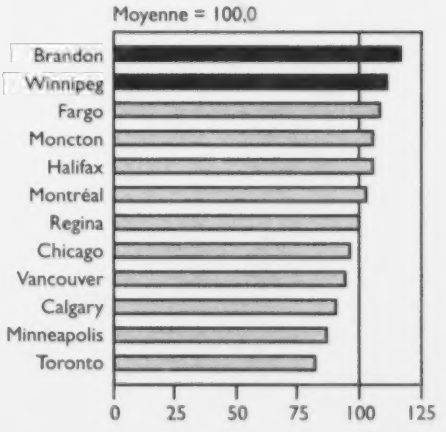
Le montant des bénéfices nets avant impôt permet de comparer la compétitivité du Manitoba en matière de coûts à celle des autres villes. Si, pour une ville donnée, les bénéfices nets avant impôt sont plus élevés, cela signifie que les frais d'exploitation sont moins élevés dans ladite ville. Les chiffres d'affaires utilisés dans le modèle de simulation ne varient pas d'une ville à l'autre : quatre millions de dollars pour la petite entreprise et 45 millions pour l'entreprise plus grande, de la cinquième année à la vingtième. Les coûts des matériaux de fabrication sont exprimés comme un pourcentage des ventes et ne varient pas non plus d'une ville à l'autre.

Brandon et Winnipeg ont les bénéfices nets avant impôt les plus élevés, aussi bien pour les petites entreprises manufacturières que pour les entreprises de plus grande taille. Une main-d'œuvre active instruite, compétente et productive, des frais de services publics peu élevés et des coûts de lancement inférieurs à la moyenne contribuent à rendre l'exploitation d'une usine de fabrication au Manitoba avantageuse en termes de coûts.

Bénéfices nets avant impôts
Petite entreprise manufacturière



Bénéfices nets avant impôts
Grande entreprise manufacturière



Taux d'imposition réels

Les taux d'imposition réels sont générés en calculant les taxes et impôts bruts comme une proportion des bénéfices nets avant impôt sur la période de vingt ans.

Voici les taxes et impôts relatifs à l'exploitation qui sont utilisés dans l'analyse :

- les impôts sur les bénéfices des sociétés;
- les taxes professionnelles et impôts fonciers locaux;
- les impôts sur le capital des corporations et l'impôt de franchise américain;
- les impôts sur les salaires;
- les cotisations versées au régime d'indemnisation des accidents du travail;
- les primes de retraite et d'assurance-emploi obligatoires;
- les cotisations d'assurance-santé payées par l'employeur.

Les dépenses fiscales suivantes qui bénéficient au secteur manufacturier sont également prises en compte :

- les crédits d'impôt à l'investissement;
- les congés fiscaux;
- les déductions pour amortissement accéléré;
- les taux d'imposition préférentiels.

Dans ce modèle, on ne tient pas compte des zones d'encouragement des entreprises, des subventions et des autres types de programmes d'aide financière du gouvernement et de tierces parties.

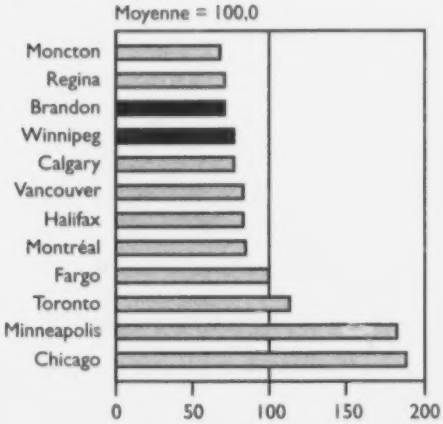
Les taux d'imposition réels au Manitoba sont inférieurs à la moyenne de toutes les villes. Au Canada, les villes manitobaines ont des taux d'imposition des petites entreprises plus bas que la moyenne. Pour les plus grandes entreprises, les villes manitobaines se situent dans la moyenne.

Compétitivité globale

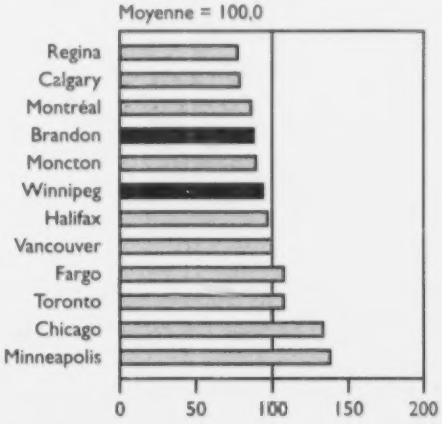
On mesure la compétitivité globale en comparant les taux de rentabilité interne. Lorsqu'une entreprise envisage de réaliser un investissement ou qu'elle cherche à savoir où s'implanter, ces taux sont souvent utilisés comme outil de prise de décision. Les graphiques suivants illustrent l'effet combiné des coûts, des taxes et des impôts sur le taux de rentabilité interne d'entreprises manufacturières représentatives de petite et de grande tailles dans les villes sélectionnées.

Les taux de rentabilité interne à Brandon et à Winnipeg sont plus élevés que le taux moyen des villes incluses dans le modèle.

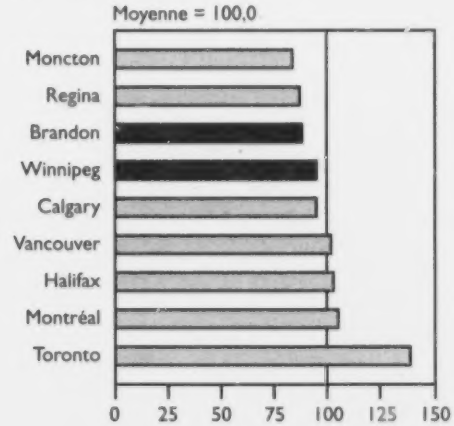
Taux d'imposition réels
Petite entreprise manufacturière



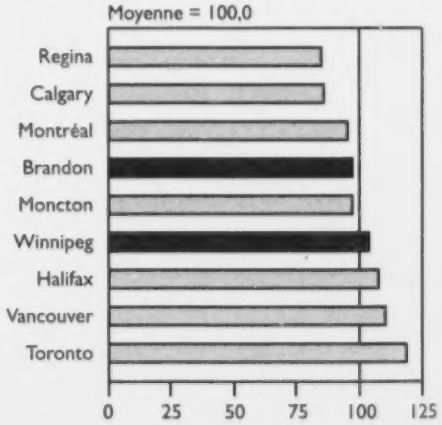
Taux d'imposition réels
Grande entreprise manufacturière



Taux d'imposition réels
Petite entreprise manufacturière
Villes canadiennes

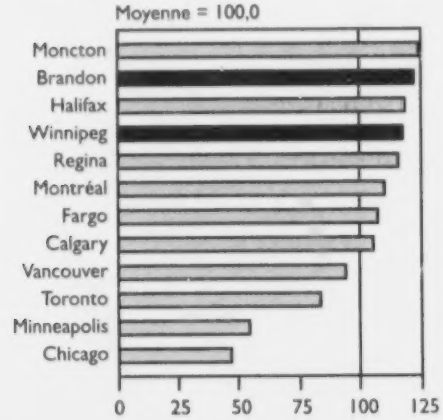


Taux d'imposition réels
Grande entreprise manufacturière
Villes canadiennes

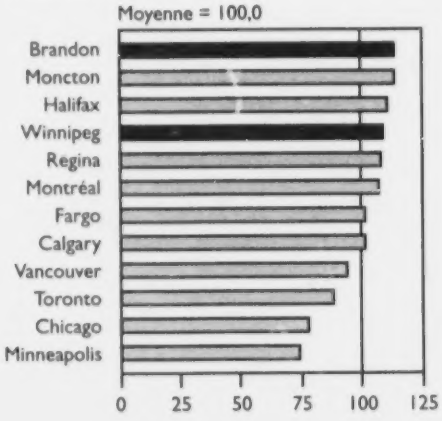


Dans la liste des meilleurs taux de rentabilité interne, Brandon se classe au deuxième rang des villes citées en ce qui concerne les petites entreprises manufacturières, et partage le premier rang avec Moncton en ce qui concerne les entreprises plus grandes. Parmi les villes de plus de 500 000 habitants, Winnipeg a le meilleur taux de rentabilité interne, tant pour les grandes que pour les petites entreprises.

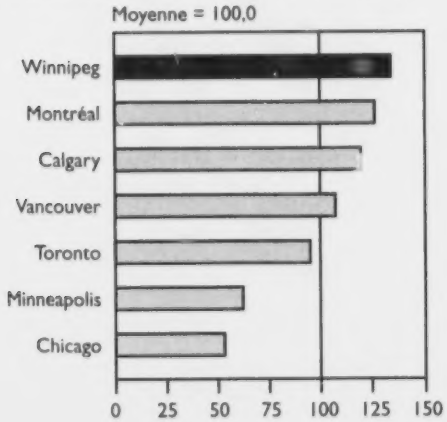
Taux de rentabilité interne
Petite entreprise manufacturière



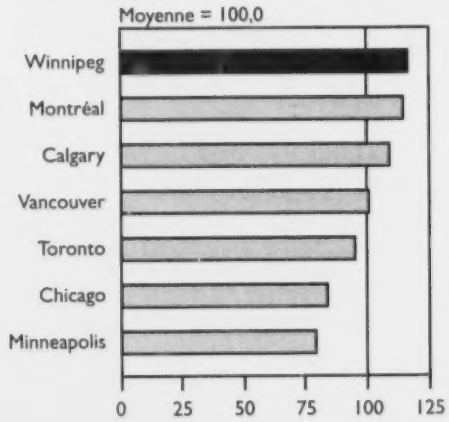
Taux de rentabilité interne
Grande entreprise manufacturière



Taux de rentabilité interne
Petite entreprise manufacturière
Villes de plus de 500 000 habitants



Taux de rentabilité interne
Grande entreprise manufacturière
Villes de plus de 500 000 habitants



■ Conclusion

Les résultats ci-dessus représentent une légère amélioration par rapport à ceux des budgets précédents. Le Manitoba maintient un environnement très concurrentiel en matière de coûts, de taxes et d'impôts pour les petites et grandes entreprises de fabrication et de transformation. Le changement remarquable de certaines autres villes du modèle s'explique en partie par l'accroissement rapide de la valeur du dollar canadien par rapport à la devise américaine, ainsi que par une augmentation des coûts fonciers dans diverses villes canadiennes. Dans l'ensemble, les villes américaines ont amélioré leur position, particulièrement Fargo, alors que les villes canadiennes ont perdu un peu de terrain.

Annexe 2

COMPARAISON INTERPROVINCIALE DU COÛT ANNUEL DES DÉPENSES PERSONNELLES, DES TAXES ET DES IMPÔTS EN 2004

Depuis 1999, la situation d'ensemble du Manitoba dans le classement interprovincial des dépenses personnelles, des taxes et des impôts est demeurée constante.

En général, la performance du Manitoba a été très bonne depuis 1999. Au chapitre du coût total des dépenses, l'avantage du Manitoba s'est accru dans chacune des six catégories familiales types par rapport à l'Ontario, et dans cinq de ces catégories par rapport à l'Alberta, au Québec, au Nouveau-Brunswick et à Terre-Neuve et Labrador.

La taxe que perçoit le Manitoba sur l'essence est la moins élevée de toutes les provinces du Canada, sauf une. De plus, le taux de la taxe du Manitoba et de la Saskatchewan sur les ventes au détail est, à 7 %, le plus bas de toutes les provinces qui prélèvent ce type de taxe.

Les tableaux des pages suivantes démontrent que le Manitoba demeure une province où le coût de la vie est parmi les plus abordables au Canada. Alors que d'autres provinces ont connu des augmentations importantes dans certains domaines (services publics, garde d'enfant et primes d'assurance-automobile), ces coûts sont restés relativement stables au Manitoba.

Parmi les avantages du Manitoba, mentionnons un taux d'imposition généralement modéré, des logements abordables et des dépenses peu élevées de garde d'enfant, d'électricité, de chauffage et d'assurance-automobile.

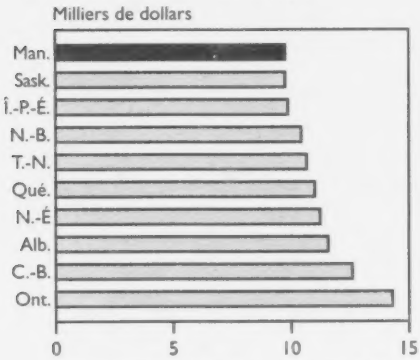
Le fait que le coût de la vie*, les taxes et les impôts personnels sont peu élevés signifie que tous les Manitobains et Manitobaines peuvent connaître un niveau de vie de grande qualité, par comparaison avec les autres régions du pays. Cela rend le Manitoba plus compétitif et en fait une destination plus attirante, tant pour les nouvelles entreprises que pour les entreprises en pleine expansion.

Une qualité de vie supérieure et des dépenses personnelles, des taxes et des impôts moins élevés représentent certainement un élément important des avantages du Manitoba.

* Comprend les coûts suivants : loyer ou frais d'hypothèque, impôt foncier, transports en commun ou assurance automobile, garde d'enfant, téléphone, électricité et chauffage.

Dépenses personnelles, taxes et impôts annuels* Célibataire Revenu total : 30 000 $

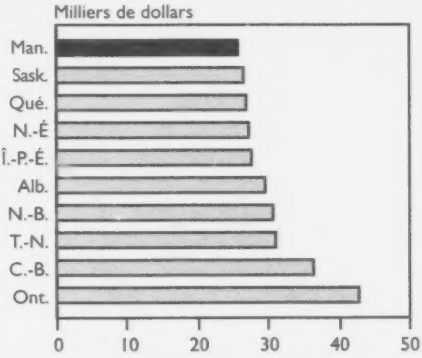
- Prélèvements au quatrième rang des prélèvements provinciaux les plus bas
- Total combiné du coût de la vie, de taxes et d'impôts le plus bas du pays



*Comprennent l'impôt sur le revenu, la taxe sur les ventes au détail, les cotisations d'assurance-santé, le loyer, les transports en commun, le téléphone, l'électricité et le chauffage.

Dépenses personnelles, taxes et impôts annuels* Famille de quatre, deux revenus Revenu total : 60 000 $

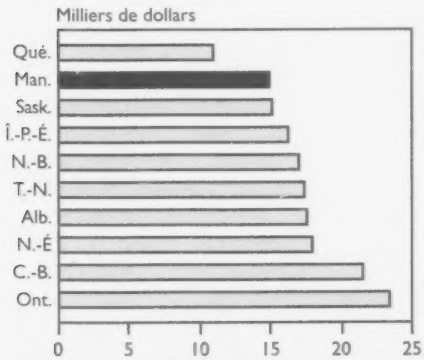
- Prélèvements au cinquième rang des prélèvements provinciaux les plus bas
- Total combiné du coût de la vie, de taxes et d'impôts le plus bas du pays



*Comprennent l'impôt sur le revenu, la taxe sur les ventes au détail et la taxe sur l'essence, les cotisations d'assurance-santé, les frais d'hypothèque, la garde d'enfant, l'assurance automobile, le téléphone, l'électricité, le chauffage et l'impôt foncier.

Dépenses personnelles, taxes et impôts annuels* Parent seul Revenu total : 30 000 $

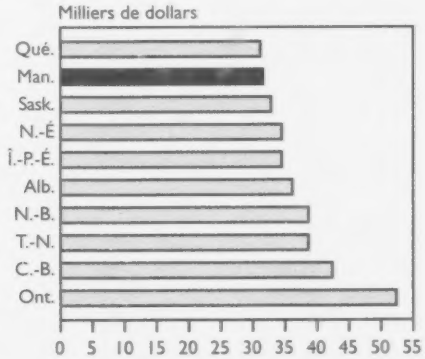
- Prélèvements au quatrième rang des prélèvements provinciaux les plus bas
- Total combiné du coût de la vie, de taxes et d'impôts le plus bas du pays, à l'exception d'une autre province



*Comprennent l'impôt sur le revenu, la taxe sur les ventes au détail et la taxe sur l'essence, les cotisations d'assurance-santé, le loyer, l'assurance automobile, le téléphone, l'électricité, le chauffage, la garde d'enfant, et les prestations pour enfant.

Dépenses personnelles, taxes et impôts annuels* Famille de cinq, deux revenus Revenu total : 75 000 $

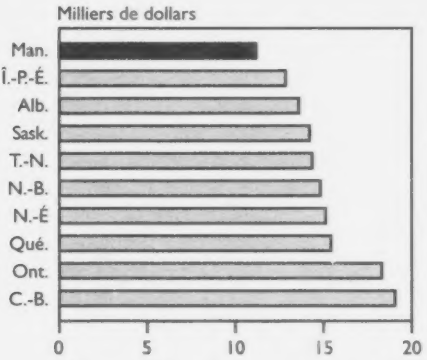
- Prélèvements au cinquième rang des prélèvements provinciaux les plus bas
- Total combiné du coût de la vie, de taxes et d'impôts le plus bas du pays, à l'exception d'une autre province



*Comprennent l'impôt sur le revenu, la taxe sur les ventes au détail et la taxe sur l'essence, les cotisations d'assurance-santé, les frais d'hypothèque, la garde d'enfant, l'assurance automobile, le téléphone, l'électricité, le chauffage et l'impôt foncier.

Dépenses personnelles, taxes et impôts annuels*
Famille de quatre, un revenu
Revenu total : 40 000 $

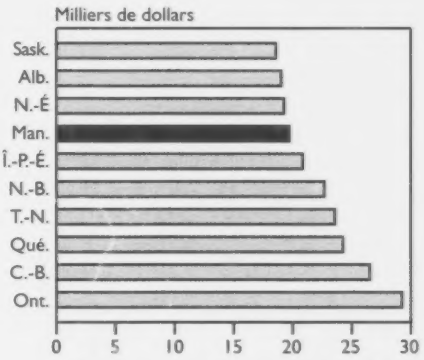
- Prélèvements au troisième rang des prélèvements provinciaux les plus bas
- Total combiné du coût de la vie, de taxes et d'impôts le plus bas du pays



*Comprennent l'impôt sur le revenu, la taxe sur les ventes au détail et la taxe sur l'essence, les cotisations d'assurance-santé, les prestations pour enfant, les frais d'hypothèque, l'assurance automobile, le téléphone, l'électricité, le chauffage et l'impôt foncier.

Dépenses personnelles, taxes et impôts annuels*
Famille de quatre, un revenu
Revenu total : 60 000 $

- Prélèvements au cinquième rang des prélèvements provinciaux les plus bas
- Total combiné du coût de la vie, de taxes et d'impôts le plus bas du pays, après trois autres provinces



**Comprennent l'impôt sur le revenu, la taxe sur les ventes au détail et la taxe sur l'essence, les cotisations d'assurance-santé, les frais d'hypothèque, l'assurance automobile, le téléphone, l'électricité, le chauffage et l'impôt foncier.

Comparaison des dépenses personnelles, taxes et impôts annuels pour 2004

Célibataire : 30 000 $	C.-B.	Alb.	Sask.	**Man.**	Ont.
Impôt provincial sur le revenu	1 109	1 376	2 128	**1 830**	1 163
Cotisations d'assurance-santé	648	528	0	**0**	0
Sous-total	1 757	1 904	2 128	**1 830**	1 163
Taxe sur les ventes au détail	353	0	368	**370**	432
Prélèvements provinciaux	2 110	1 904	2 496	**2 200**	1 595
Loyer	9 108	7 932	5 880	**6 096**	10 608
Électricité	323	635	516	**327**	580
Transport en commun	756	780	630	**809**	1 185
Téléphone	329	285	264	**300**	271
Coût de la vie	10 516	9 632	7 290	**7 532**	12 645
Total des coûts	12 626	11 536	9 786	**9 731**	14 240

Parent seul avec un enfant : 30 000 $	C.-B.	Alb.	Sask.	**Man.**	Ont.
Impôt provincial sur le revenu	294	0	649	**303**	(332)
Cotisations d'assurance-santé	922	0	0	**0**	0
Sous-total	1 216	0	649	**303**	(332)
Prestations pour enfant	(253)	(300)	0	**0**	(1 070)
Taxe sur les ventes au détail	459	0	478	**481**	561
Taxe sur l'essence	410	180	300	**230**	294
Prélèvements provinciaux	1 832	(120)	1 427	**1 014**	(547)
Loyer	11 580	9 648	7 068	**7 740**	12 480
Garde d'enfant	6 166	5 650	4 727	**4 579**	8 206
Électricité	416	773	635	**408**	723
Assurance automobile	1 186	1 319	959	**1 003**	2 302
Téléphone	329	285	264	**300**	271
Coût de la vie	19 677	17 675	13 653	**14 030**	23 982
Total des coûts	21 509	17 555	15 080	**15 043**	23 435

Les totaux peuvent varier à cause de l'arrondissement des résultats.

Qué.	N.-B.	N.-É	Î.-P.-É.	T.-N. et L.	**Célibataire : 30 000 $**
2 366	1 969	1 854	2 027	2 209	Impôt provincial sur le revenu
460	0	0	0	0	Cotisations d'assurance-santé
2 826	1 969	1 854	2 027	2 209	Sous-total
533	686	679	601	725	Taxe sur les ventes au détail
3 359	2 654	2 532	2 628	2 934	Prélèvements provinciaux
6 336	6 300	7 152	5 628	6 240	Loyer
371	556	517	709	513	Électricité
708	672	684	600	696	Transport en commun
271	264	300	293	263	Téléphone
7 686	7 792	8 653	7 231	7 712	Coût de la vie
11 045	10 446	11 185	9 859	10 646	Total des coûts

Qué.	N.-B.	N.-É	Î.-P.-É.	T.-N. et L.	**Parent seul avec un enfant : 30 000 $**
(727)	408	716	890	969	Impôt provincial sur le revenu
460	0	0	0	0	Cotisations d'assurance-santé
(267)	408	716	890	969	Sous-total
(80)	(244)	0	0	0	Prestations pour enfant
692	891	882	781	943	Taxe sur les ventes au détail
334	290	310	340	330	Taxe sur l'essence
679	1 345	1 908	2 012	2 242	Prélèvements provinciaux
6 900	7 620	8 640	7 092	7 284	Loyer
1 820	5 980	5 280	5 200	5 460	Garde d'enfant
445	675	647	861	620	Électricité
813	1 057	1 151	881	1 491	Assurance automobile
271	264	300	293	263	Téléphone
10 250	15 596	16 018	14 328	15 119	Coût de la vie
10 928	16 941	17 926	16 340	17 361	Total des coûts

Comparaison des dépenses personnelles, taxes et impôts annuels pour 2004

Famille de quatre, un revenu : 40 000 $	C.-B.	Alb.	Sask.	**Man.**	Ont.
Impôt provincial sur le revenu	1 556	875	1 807	**2 153**	1 244
Cotisations d'assurance-santé	1 296	1 056	0	**0**	0
Sous-total	2 852	1 931	1 807	**2 153**	1 244
Prestations pour enfant	0	(400)	0	**0**	0
Crédits d'impôt foncier	(470)	0	0	**(400)**	(209)
Taxe sur les ventes au détail	818	0	988	**943**	1 145
Taxe sur l'essence	410	180	300	**230**	294
Prélèvements provinciaux	3 610	1 711	3 095	**2 926**	2 474
Frais d'hypothèque	10 281	6 500	4 609	**3 198**	8 872
Impôt foncier	1 728	1 758	3 302	**2 160**	2 233
Chauffage domiciliaire	990	809	883	**945**	989
Électricité	602	1 049	873	**571**	1 007
Assurance automobile	1 525	1 547	1 211	**1 074**	2 415
Téléphone	329	285	264	**300**	271
Coût de la vie	15 455	11 948	11 143	**8 248**	15 787
Total des coûts	19 065	13 658	14 238	**11 174**	18 262

Famille de quatre, un revenu : 60 000 $	C.-B.	Alb.	Sask.	**Man.**	Ont.
Impôt provincial sur le revenu	3 384	2 872	4 404	**5 181**	3 386
Cotisations d'assurance-santé	1 296	1 056	0	**0**	0
Sous-total	4 680	3 928	4 404	**5 181**	3 386
Crédits d'impôt foncier	(470)	0	0	**(400)**	(62)
Taxe sur les ventes au détail	1 050	0	1 265	**1 304**	1 527
Taxe sur l'essence	410	180	300	**230**	294
Prélèvements provinciaux	5 670	4 108	5 969	**6 315**	5 146
Frais d'hypothèque	14 437	8 465	5 101	**5 952**	14 910
Impôt foncier	2 427	2 290	3 655	**4 020**	3 753
Chauffage domiciliaire	1 420	1 122	1 262	**1 226**	1 418
Électricité	787	1 324	1 112	**734**	1 291
Assurance automobile	1 525	1 547	1 211	**1 074**	2 415
Téléphone	329	285	264	**300**	271
Coût de la vie	20 925	15 033	12 605	**13 307**	24 059
Total des coûts	26 596	19 142	18 574	**19 622**	29 234

Les totaux peuvent varier à cause de l'arrondissement des résultats.

Qué.	N.-B.	N.-É	Î.-P.-É.	T.-N. et L.	**Famille de quatre, un revenu : 40 000 $**
1 045	2 636	2 613	2 694	3 114	Impôt provincial sur le revenu
920	0	0	0	0	Cotisations d'assurance-santé
1 965	2 636	2 613	2 694	3 114	Sous-total
(160)	0	0	0	0	Prestations pour enfant
(137)	0	0	0	0	Crédits d'impôt foncier
1 364	1 700	1 708	1 353	1 921	Taxe sur les ventes au détail
334	290	310	340	330	Taxe sur l'essence
3 366	4 626	4 631	4 387	5 365	Prélèvements provinciaux
5 961	4 727	5 141	3 388	3 585	Frais d'hypothèque
2 712	1 912	1 677	1 453	1 436	Impôt foncier
1 299	1 161	1 206	1 113	1 179	Chauffage domiciliaire
594	912	905	1 165	836	Électricité
1 265	1 222	1 308	1 025	1 671	Assurance automobile
271	264	300	293	263	Téléphone
12 102	10 197	10 536	8 438	8 969	Coût de la vie
15 468	14 823	15 167	12 825	14 334	Total des coûts

Qué.	N.-B.	N.-É	Î.-P.-É.	T.-N. et L	**Famille de quatre, un revenu : 60 000 $**
5 147	5 597	5 340	5 477	6 359	Impôt provincial sur le revenu
920	0	0	0	0	Cotisations d'assurance-santé
6 067	5 597	5 340	5 477	6 359	Sous-total
0	0	0	0	0	Crédits d'impôt foncier
1 912	2 453	2 216	1 895	2 509	Taxe sur les ventes au détail
334	290	310	340	330	Taxe sur l'essence
8 313	8 340	7 866	7 712	9 198	Prélèvements provinciaux
8 056	7 219	5 082	6 106	7 025	Frais d'hypothèque
3 540	2 685	1 803	2 620	2 545	Impôt foncier
1 948	1 741	1 808	1 669	1 768	Chauffage domiciliaire
756	1 149	1 163	1 469	1 051	Électricité
1 265	1 222	1 308	1 025	1 671	Assurance automobile
271	264	300	293	263	Téléphone
15 836	14 279	11 464	13 182	14 323	Coût de la vie
24 149	22 620	19 330	20 894	23 521	Total des coûts

Comparaison des dépenses personnelles, taxes et impôts annuels pour 2004

Famille de quatre, deux revenus : 60 000 $	C.-B.	Alb.	Sask.	**Man.**	Ont.
Impôt provincial sur le revenu	1 893	1 934	2 864	**3 354**	1 394
Cotisations d'assurance-santé	1 296	1 056	0	**0**	0
Sous-total	3 189	2 990	2 864	**3 354**	1 394
Crédits d'impôt foncier	(470)	0	0	**(400)**	(227)
Taxe sur les ventes au détail	1 050	0	1 265	**1 304**	1 527
Taxe sur l'essence	615	270	450	**345**	441
Prélèvements provinciaux	4 384	3 260	4 579	**4 603**	3 135
Frais d'hypothèque	14 437	8 465	5 101	**5 952**	14 910
Impôt foncier	2 427	2 290	3 655	**4 020**	3 753
Garde d'enfant	9 919	9 705	8 463	**6 938**	13 126
Chauffage domiciliaire	1 420	1 122	1 262	**1 226**	1 418
Électricité	787	1 324	1 112	**734**	1 291
Assurance automobile	2 711	2 866	2 170	**2 077**	4 717
Téléphone	329	285	264	**300**	271
Coût de la vie	32 030	26 057	22 027	**21 248**	39 487
Total des coûts	36 414	29 318	26 606	**25 851**	42 621

Famille de cinq, deux revenus : 75 000 $	C.-B.	Alb.	Sask.	**Man.**	Ont.
Impôt provincial sur le revenu	2 643	2 806	3 792	**4 485**	2 360
Cotisations d'assurance-santé	1 296	1 056	0	**0**	0
Sous-total	3 939	3 862	3 792	**4 485**	2 360
Crédits d'impôt foncier	(470)	0	0	**(400)**	(138)
Taxe sur les ventes au détail	1 312	0	1 815	**1 741**	1 811
Taxe sur l'essence	615	270	450	**345**	441
Prélèvements provinciaux	5 396	4 132	6 057	**6 170**	4 474
Frais d'hypothèque	14 437	8 465	5 101	**5 952**	14 910
Impôt foncier	2 427	2 290	3 655	**4 020**	3 753
Garde d'enfant	16 439	15 701	13 351	**11 618**	21 332
Chauffage domiciliaire	1 420	1 122	1 262	**1 226**	1 418
Électricité	787	1 324	1 112	**734**	1 291
Assurance automobile	2 711	2 866	2 170	**2 077**	4 717
Téléphone	329	285	264	**300**	271
Coût de la vie	38 550	32 053	26 915	**25 928**	47 692
Total des coûts	43 946	36 185	32 972	**32 098**	52 166

Les totaux peuvent varier à cause de l'arrondissement des résultats.

Qué.	N.-B.	N.-É	Î.-P.-É.	T.-N. et L.	**Famille de quatre, deux revenus : 60 000 $**
3 452	3 235	3 202	3 533	3 858	Impôt provincial sur le revenu
920	0	0	0	0	Cotisations d'assurance-santé
4 372	3 235	3 202	3 533	3 858	Sous-total
0	0	0	0	0	Crédits d'impôt foncier
1 912	2 453	2 216	1 895	2 509	Taxe sur les ventes au détail
501	435	465	510	495	Taxe sur l'essence
6 785	6 123	5 883	5 938	6 862	Prélèvements provinciaux
8 056	7 219	5 082	6 106	7 025	Frais d'hypothèque
3 540	2 685	1 803	2 620	2 545	Impôt foncier
3 437	9 283	8 790	7 458	8 260	Garde d'enfant
1 948	1 741	1 808	1 669	1 768	Chauffage domiciliaire
756	1 149	1 163	1 469	1 051	Électricité
2 078	2 279	2 459	1 906	3 162	Assurance automobile
271	264	300	293	263	Téléphone
20 086	24 619	21 405	21 521	24 074	Coût de la vie
26 871	30 742	27 288	27 459	30 936	Total des coûts

Qué.	N.-B.	N.-É	Î.-P.-É.	T.-N. et L.	**Famille de cinq, deux revenus : 75 000 $**
5 248	4 503	4 426	4 785	5 296	Impôt provincial sur le revenu
920	0	0	0	0	Cotisations d'assurance-santé
6 168	4 503	4 426	4 785	5 296	Sous-total
0	0	0	0	0	Crédits d'impôt foncier
2 631	3 006	2 859	2 668	3 400	Taxe sur les ventes au détail
501	435	465	510	495	Taxe sur l'essence
9 301	7 944	7 750	7 963	9 191	Prélèvements provinciaux
8 056	7 219	5 082	6 106	7 025	Frais d'hypothèque
3 540	2 685	1 803	2 620	2 545	Impôt foncier
5 257	15 263	14 070	12 658	13 720	Garde d'enfant
1 948	1 741	1 808	1 669	1 768	Chauffage domiciliaire
756	1 149	1 163	1 469	1 051	Électricité
2 078	2 279	2 459	1 906	3 162	Assurance automobile
271	264	300	293	263	Téléphone
21 906	30 599	26 685	26 721	29 534	Coût de la vie
31 206	38 543	34 435	34 684	38 725	Total des coûts

NOTES

Les mentions de taxes et d'impôts, de frais et de coût de la vie sont basées sur des renseignements en date du 5 avril 2004 sur les principaux centres urbains des provinces : Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal, Fredericton, Halifax, Charlottetown et St. John's.

Impôt provincial sur le revenu. Les calculs se rapportent aux situations suivantes : une personne célibataire, locataire et qui gagne 30 000 $; un chef de famille monoparentale, locataire, ayant un enfant et qui gagne 30 000 $; et quatre familles propriétaires ayant un revenu de 40 000 $, 60 000 $ ou 75 000 $. Les quatre familles comprennent : une personne qui gagne un revenu, un conjoint et deux enfants à charge âgés de trois et sept ans; deux personnes qui gagnent chacune un revenu et deux enfants à charge âgés de trois et sept ans; deux personnes qui gagnent chacune un revenu et trois enfants à charge âgés de trois, cinq et sept ans. Dans le cas des familles à deux revenus, on présume que l'un des conjoints gagne 60 % du revenu familial, et l'autre 40 %. Les crédits d'impôt non remboursables incluent les crédits accordés pour les cotisations au Régime de pensions du Canada, ou au Régime de rentes du Québec, et les cotisations à l'assurance-emploi. Dans le cas du chef de famille monoparentale, les frais de garde particuliers à chaque province ont été déduits du revenu. En ce qui concerne les familles à deux revenus, les frais de garde d'enfant ont été déduits du revenu du conjoint qui gagne le moins. Dans le cas des contribuables du Québec, l'impôt brut sur le revenu personnel est réduit par l'abattement fiscal fédéral (16,5 %). Les crédits remboursables sur la taxe de vente et les réductions d'impôt provinciales ont été déduits de l'impôt sur le revenu à payer. Les crédits d'impôt pour la location sont inclus dans l'impôt sur le revenu, mais les crédits d'impôt foncier sont indiqués à part.

Prestations pour enfants. Les chiffres mentionnés se rapportent à des programmes provinciaux comparables à la Prestation fiscale canadienne pour enfants et incluent les suppléments de revenu gagné, le cas échéant.

Taxe sur les ventes au détail. Les calculs sont faits en se basant sur l'ensemble des dépenses moyennes selon certains paliers de revenu brut dans l'*Enquête sur les dépenses des ménages (2000)* de Statistique Canada (les résultats sont majorés en fonction des valeurs de 2004 et ajustés pour tenir compte de la taille de la famille).

Taxe sur l'essence. Les calculs ont comme base une consommation annuelle de 2 000 litres d'essence pour les familles à véhicule unique, et de 3 000 litres pour une famille à deux revenus (60 000 $ et 75 000 $). Est incluse la taxe sur les transports en commun, de 6 cents du litre à Vancouver et de 1,5 cent du litre à Montréal.

Cotisations d'assurance-santé. Cotisations annuelles pour les services médicaux et l'assurance-hospitalisation dans les provinces qui les perçoivent. Les cotisations au Régime d'assurance-médicaments du Québec sont incluses dans cette catégorie.

Frais d'hypothèque. On prend comme point de départ des calculs la moitié du prix moyen d'une maison en rangée de catégorie standard pour des familles ayant un revenu de 40 000 $, ou d'une maison à deux étages de catégorie standard pour des familles ayant des revenus de 60 000 $ et de 75 000 $, respectivement, selon l'*Étude sur le prix des maisons au Canada* de Royal LePage (quatrième trimestre 2003). L'hypothèque de 25 ans est amortie à un taux d'intérêt de 6,075 % sur cinq ans.

Impôt foncier. Les calculs sont faits en se basant sur la valeur imposable d'une maison en rangée de catégorie standard pour des familles ayant un revenu de 40 000 $, ou d'une maison à deux étages de catégorie standard pour des familles ayant des revenus de 60 000 $ et de 75 000 $, selon l'*Étude sur le prix des maisons au Canada* de Royal LePage (quatrième trimestre 2003). Le taux par mille et d'autres données de calcul de l'impôt foncier ont été fournis par des représentants officiels des principaux centres urbains des provinces.

Loyer. Les chiffres proviennent de l'*Enquête sur les logements locatifs de la Société canadienne d'hypothèques et de logement (octobre 2003)* et prennent comme point de départ le coût moyen de location, dans chaque centre urbain, d'un appartement à une chambre à coucher dans le cas d'une personne célibataire et de deux chambres à coucher dans le cas d'une famille monoparentale.

Garde d'enfant. Frais moyens de garde d'enfant à temps plein dans trois situations : garde préscolaire de deux enfants, l'un de trois ans et l'autre de cinq; garde avant et après l'école d'un enfant de sept ans; et camp d'été de jour de six semaines pour un enfant de sept ans. Les chiffres du Québec sont basés sur des frais de garderie de 7 $ par jour. Les frais moyens sont basés sur le document intitulé *Early Childhood Care and Education in Canada: Provinces and Territories*, et ont été mis à jour par un sondage par téléphone et sur Internet qui portait sur différentes villes.

Assurance automobile. Les calculs portent sur l'utilisation d'une automobile de modèle Chevrolet Impala 2002 par des familles où il y a deux parents. La couverture comprend une assurance responsabilité civile d'un million de dollars et une franchise tous risques de 200 $ en Colombie-Britannique, en Saskatchewan et au Manitoba, de 250 $ en Alberta, au Québec, au Nouveau-Brunswick, en Nouvelle-Écosse, à l'Île-du-Prince-Édouard et à Terre-Neuve et Labrador, et de 300 $ en Ontario. Le conducteur est marié et âgé de 35 ans, et il n'a eu aucun accident depuis sept ans ou plus. Il utilise l'auto pour se rendre au travail, un trajet de 15 km dans chaque sens. Les deux familles à deux revenus, où l'on gagne respectivement 60 000 $ et 75 000 $, sont également assurées pour une automobile Chevrolet Cavalier de 1998, dont la couverture et l'évaluation du risque que pose le conducteur sont identiques à celles de l'Impala. Les calculs relatifs à la famille monoparentale se rapportent également à une automobile 1998 de marque Chevrolet Cavalier. Les tarifs de la Colombie-Britannique, de la Saskatchewan et du Manitoba ont été fournis par la Société d'assurance publique du Manitoba; les tarifs dans les autres centres urbains représentent la moyenne de huit à douze des principaux assureurs.

Transports en commun. On prend comme point de départ des calculs le prix d'une carte mensuelle pour un adulte (zone unique) en vigueur au mois d'avril 2004. Dans le cas de Charlottetown, le tarif est basé sur l'achat quotidien d'un billet adulte sur 240 jours ouvrables.

Chauffage domiciliaire. Le coût est basé sur une consommation annuelle de 2 300 mètres cubes de gaz naturel pour une maison en rangée de catégorie standard, et une consommation annuelle de 3 450 mètres cubes pour une maison à deux étages de catégorie standard. Dans le cas des provinces de l'Atlantique, les chiffres représentent la consommation équivalente en huile de chauffage, en unités BTU. Hydro-Manitoba a présenté une demande pour augmenter ses tarifs d'électricité à partir du 1er avril 2004. Bien que celle-ci n'ait pas été approuvée en date du 5 avril, les tableaux comprennent ces nouveaux tarifs.

Électricité. Le coût est basé sur une consommation annuelle de 9 000 kWh dans le cas d'une famille ayant deux parents et gagnant 40 000 $, de 12 000 kWh pour les deux familles ayant deux parents et gagnant respectivement 60 000 $ et 75 000 $, de 6 000 kWh pour une famille monoparentale, et de 4 500 kWh pour un locataire. Le coût n'inclut ni les taxes ni les frais municipaux, et il est basé sur le tarif résidentiel en vigueur en avril 2004.

Téléphone. Il s'agit du tarif de base pour une résidence particulière.

MANITOBA 2004

CE QUE LE BUDGET DU MANITOBA SIGNIFIE *pour* VOUS

LES DÉFIS D'AUJOURD'HUI LES POSSIBILITÉS DE DEMAIN

Manitoba

Bâtir l'avenir

DES EFFORTS SOUTENUS POUR LA SANTÉ

Le Budget 2004 prévoit une augmentation de 5,2 % du financement accordé à la priorité numéro un de la population du Manitoba : les soins de santé. Nous continuons à travailler à l'amélioration des services de santé que vous voulez et dont vous avez besoin.

- Le Budget 2004 prévoit un soutien accru pour les hôpitaux et les services offerts dans les salles d'urgence.
- De nouvelles ressources sont consacrées à la réduction des délais d'attente, permettant ainsi de poursuivre les réductions importantes déjà observées aux délais d'attente pour les tests d'IRM et les traitements anticancéreux au Manitoba.
- Le nombre de diplômés en soins infirmiers au Manitoba a triplé depuis 1999. Cette année, des ressources seront affectées à une nouvelle expansion des programmes.
- Le nombre de médecins a augmenté chaque année depuis 1999. Le Budget 2004 prévoit 5 millions de dollars pour l'expansion des programmes d'études offerts aux professionnels de la santé.
- Le régime d'assurance-médicaments recevra 5,6 millions de dollars de plus et on mettra au point une stratégie pour assurer la viabilité à long terme du programme.
- Le financement accordé aux soins cardiaques et à l'amélioration du service téléphonique Info Santé sera augmenté.
- Le nouveau ministère de la Vie saine mettra l'accent sur des programmes visant à aider les habitants du Manitoba à rester en bonne santé.
- Pour décourager le tabagisme, en particulier chez les enfants et les jeunes, la taxe sur le tabac va augmenter. De même, la marge de profit sur les alcools sera ajustée.

FAIRE DES JEUNES DU MANITOBA UNE PRIORITÉ

Une éducation abordable et une économie florissante sont essentielles pour retenir nos jeunes et les aider à prospérer. Le Budget 2004 aidera les jeunes du Manitoba à créer les possibilités de demain.

- Le Budget 2004 prévoit un financement continu pour la construction et la rénovation de nos écoles. Depuis 1999, nous avons affecté 228 millions de dollars à la construction de 8 nouvelles écoles, au remplacement de 11 écoles et à 33 projets de rénovation ou d'agrandissement.
- Le financement accordé aux écoles publiques augmentera pour la cinquième année consécutive. Les dépenses consacrées aux écoles publiques ont augmenté de 105 millions de dollars au total depuis 1999.
- De nouvelles ressources sont affectées à l'éducation des élèves ayant des besoins spéciaux, dont l'utilisation a augmenté de près de 25 % depuis 1999.
- Le soutien aux collèges et aux universités augmente de 3,5 %.
- Le rabais des droits de scolarité dans les universités et les collèges sera maintenu, ce qui conserve ces droits à un niveau inférieur de 10 % à celui de 1999.
- Des fonds seront affectés à des bourses des cycles supérieurs pour stimuler les études supérieures basées sur la recherche au Manitoba.

SOUTENIR LES FAMILLES DU MANITOBA

Les Manitobains et Manitobaines nous ont dit que le financement des familles est une priorité. Le Budget 2004 reconnaît cette priorité en conservant et en améliorant des programmes qui appuient les familles du Manitoba lorsqu'elles en ont le plus besoin.

- Plus de fonds seront consacrés à la garde d'enfants, résultant en une augmentation de 26 millions de dollars et de 3 500 places de garderie sur cinq ans.
- Le budget de cette année prévoit 12,3 millions de dollars, soit une augmentation de 11 %, pour le Programme d'aide à la vie en société, qui offre des services aux personnes ayant des handicaps.
- De nouvelles ressources seront affectées au programme Priorité aux bébés et au Programme d'intervention précoce, qui appuient les familles ayant des jeunes enfants.
- Le Budget 2004 prévoit des fonds pour une nouvelle Initiative de thérapie pédiatrique qui permettra d'améliorer l'accès précoce à des services comme l'orthophonie.

UN GOUVERNEMENT À LA MESURE DE NOS MOYENS

Le gouvernement du Manitoba possède déjà l'un des plus bas coûts de fonctionnement par habitant parmi les provinces canadiennes. Le budget de cette année relève les défis actuels en réduisant davantage ces coûts.

- L'élimination par attrition de 400 postes de fonctionnaire permettra une économie de 30 millions de dollars.
- La majorité des ministères provinciaux réduiront leurs dépenses ou les maintiendront en dessous du taux d'inflation.
- Afin de réduire les frais d'administration et le double emploi, la Direction des permis et immatriculations et la Société d'assurance publique du Manitoba seront logées sous le même toit, et les fonctions de vente et de location des terres domaniales seront amalgamées au sein d'un organisme unique.
- Les frais de service de la dette ont été réduits de près de 200 millions de dollars depuis l'exercice 1998-1999, et se classent au deuxième rang parmi les plus bas au pays.
- On ne prévoit aucun retrait du Fonds de stabilisation des recettes en 2004, pour la première fois depuis 1996.

INVESTIR DANS L'INFRASTRUCTURE

L'infrastructure du Manitoba est essentielle pour la croissance et la prospérité de notre province et de nos communautés. Le Budget 2004 prévoit des investissements importants dans des projets d'amélioration de l'infrastructure partout dans la province.

- Notre programme quinquennal de construction routière, de 600 millions de dollars, en est à sa troisième année. Le Budget 2004 affecte 10 millions de dollars supplémentaires à la prochaine période de construction des routes et 10 millions à la période suivante.
- L'élargissement à quatre voies de la route transcanadienne sera terminé en 2006; une réfection majeure du revêtement de la route n° 6 à partir de la région d'Entre-les-Lacs jusque dans le Nord du Manitoba débutera cet été; et l'élargissement à quatre voies de la route périphérique au nord-est de Winnipeg et de l'autoroute 59 Sud se poursuivra au cours des trois prochaines années.
- La phase de planification du projet d'élargissement du canal de dérivation de la rivière Rouge a débuté. Une fois les travaux commencés, il s'agira de l'un des plus importants projets d'infrastructure dans l'histoire de notre province.
- D'importants projets d'infrastructure seront entrepris en partenariat avec la Ville de Winnipeg et le gouvernement fédéral, dont l'amélioration du traitement des eaux d'égout et des eaux usées, la construction du passage inférieur du boulevard Kenaston et la création d'un réseau de transport en commun rapide.
- Afin de mieux répondre aux besoins d'infrastructure actuels et futurs, le taux d'imposition sur le carburant diesel suivra le même rythme que celui de la taxe sur l'essence, les droits d'immatriculation des véhicules augmenteront de 23 dollars et une taxe supplémentaire sera ajoutée aux transferts fonciers dont la valeur est supérieure à 200 000 dollars.

BÂTIR DES COMMUNAUTÉS SÛRES ET SAINES

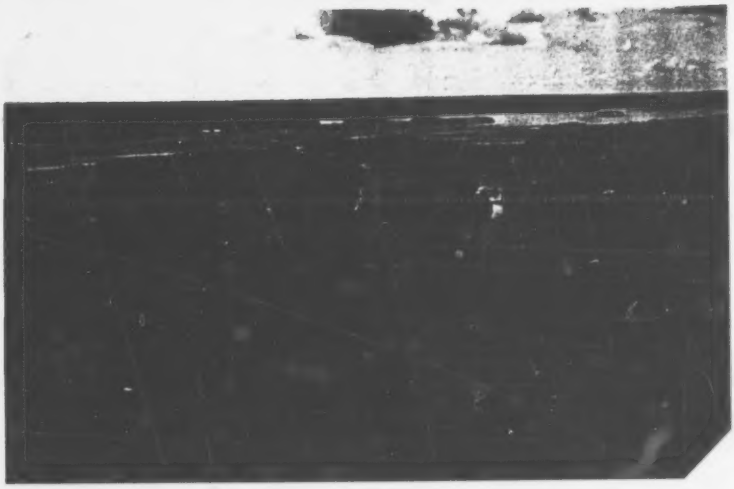
Le Budget 2004 reconnaît l'importance d'avoir des communautés sûres et dynamiques, et prévoit des ressources pour des projets favorisant la sécurité, la croissance et le développement des quartiers dans toute la province.

- Les efforts de revitalisation des vieux quartiers de Brandon, Thompson et Winnipeg se poursuivront grâce au programme Quartiers vivants.
- De nouvelles ressources seront affectées aux bibliothèques dans les communautés rurales, urbaines et du Nord.
- Le Programme de logement à prix abordable consacre 50 millions de dollars sur cinq ans, dont six millions affectés au logement dans les régions du Nord.
- De nouvelles ressources seront affectées aux services policiers de la province.
- Un financement est prévu pour la mise en œuvre permanente du programme Faire volte-face, qui aide les jeunes délinquants à apporter des changements positifs à leur vie.
- Le Budget 2004 prévoit un soutien de plus de 350 000 $ pour un système de notification des victimes et de localisation des délinquants.

MAINTENIR LA FORCE ET LA CROISSANCE DE NOTRE ÉCONOMIE

Nous avons fait face à des défis importants l'année dernière, mais l'économie manitobaine repose sur des fondements solides et nos perspectives économiques demeurent positives.

- En 2003, la migration nette au Manitoba a atteint un taux inégalé en 20 ans, et le nombre de jeunes gens venant s'établir dans la province a dépassé de 1 055 le nombre de ceux la quittant.
- Depuis 1999, Moody's Investors Service et Dominion Bond Rating Service ont haussé la cote de crédit du Manitoba.
- Le Manitoba a mieux supporté les effets du ralentissement économique de 2003 que la plupart des autres provinces, et on prévoit une croissance économique réelle de 2,9 % en 2004.
- En 2003, le taux de chômage au Manitoba, 5 %, était le plus faible au pays.
- À 3,1 %, le taux de croissance du revenu personnel disponible par habitant du Manitoba a dépassé la moyenne nationale en 2003.



PROTÉGER NOTRE EAU ET NOTRE ENVIRONNEMENT

Le Manitoba a le privilège d'être doté d'un environnement pur et naturel et de vastes ressources hydriques. Le Budget 2004 prévoit l'affectation de ressources financières à des programmes ayant pour objectifs la gestion et le développement raisonnables des ressources environnementales et hydriques de notre province.

- Le Manitoba est la première administration canadienne à reconnaître l'importance de son eau, en créant le ministère de la Gestion des ressources hydriques, dont le mandat vise exclusivement la gestion et le développement raisonnables des ressources hydriques.
- Le Budget 2004 prévoit un soutien pour le Conseil de gestion du lac Winnipeg, qui élabore un plan de réduction des nutriants nuisibles dans le lac.
- Des ressources seront consacrées au soutien du Programme de gestion du bétail, aux fins de l'inspection et de l'application des règlements.
- 350 000 dollars seront consacrés au développement responsable de lotissements pour chalets et d'emplacements de camping partout dans la province, et 225 000 dollars seront affectés à la sécurité des plages.

MAINTENIR L'ALLÉGEMENT FISCAL

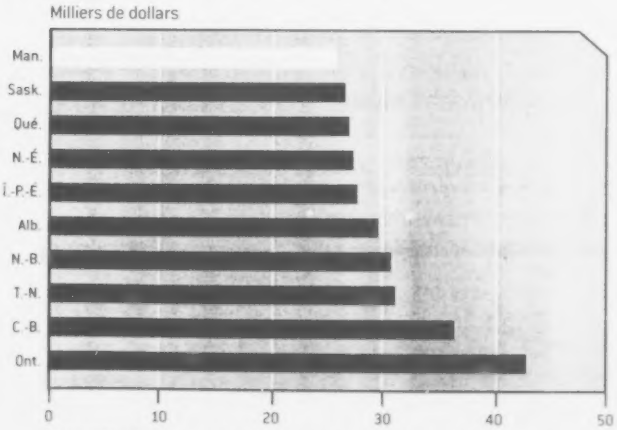
Le Budget 2004 respecte l'engagement pris dans les quatre derniers budgets de réduire les impôts et les taxes.

- La taxe d'aide résidentielle à l'éducation sera réduite en 2004, ce qui permettra aux contribuables d'épargner 10 millions de dollars. Cette troisième réduction consécutive permettra au propriétaire d'une maison de 125 000 dollars d'économiser 159 $ par an.
- Grâce à la réduction de 39 millions de dollars de l'impôt sur le revenu des particuliers entrée en vigueur en janvier 2004, le total des réductions de l'impôt sur le revenu des particuliers depuis 1999 se chiffre maintenant à plus de 300 millions par an.
- Une élévation du plafond de revenu admissible se traduira par une nouvelle réduction de l'impôt sur les bénéfices des petites entreprises, ce qui porte à 74 millions par an le total des réductions de l'impôt sur les bénéfices des sociétés depuis 1999. Le taux d'imposition des petites entreprises sera également réduit de 5 % à 4,5 % après 2005.
- Le taux général de l'impôt sur les bénéfices des sociétés continue de descendre : de 1999 à 2005, ce taux sera passé de 17 % à 15 %, et il baissera de nouveau à 14,5 % après 2005.
- Le crédit d'impôt pour l'industrie cinématographique du Manitoba est prolongé d'une autre période de trois ans et comprendra des mesures d'incitation à la production fréquente de films et à la production en milieu rural et dans le Nord.
- Afin de contribuer au financement de la réduction du taux général de l'impôt sur les bénéfices des sociétés, la taxe sur les ventes au détail sera appliquée aux services légaux et comptables, ainsi qu'aux services dans le domaine de l'architecture, du génie et de la sécurité. De plus, l'assiette de l'impôt sur le capital des établissements bancaires sera plus conforme à celles des provinces voisines et du gouvernement fédéral.

UN AVANTAGE MANITOBAIN : L'ABORDABILITÉ

Le total combiné du coût de la vie et d'impôts le plus bas au pays

Dépenses personnelles, taxes et impôts annuels -
Famille de quatre, deux revenus : 60 000 $ *



* Comprend l'impôt sur le revenu, la taxe sur les ventes au détail et la taxe sur l'essence, les cotisations d'assurance santé, les frais d'hypothèque, la garde d'enfant, l'assurance automobile, le téléphone, l'électricité, le chauffage et l'impôt foncier.

MESSAGE DU MINISTRE

Le Budget 2004 prévoit une augmentation des fonds destinés aux programmes que la population du Manitoba considère prioritaires. Pour la cinquième année consécutive, notre gouvernement a équilibré le budget tout en faisant des investissements progressifs dans les domaines de l'éducation, de la santé, des services à la famille et de la justice.

Malgré des défis tels que le ralentissement de la croissance économique nationale, le manque continu de financement fédéral des soins de santé et notre engagement de rembourser la dette et l'obligation provinciale découlant des régimes de retraite, le présent budget est sur la bonne voie pour respecter nos objectifs financiers.

Le Budget 2004 relève les défis d'aujourd'hui et préparent les possibilités de demain en administrant un gouvernement efficient et à la mesure de nos moyens, qui réduit les dépenses dans certains domaines pour les augmenter dans les secteurs que vous jugez les plus importants :

- **l'amélioration continue des services de soins de santé;**
- **l'investissement dans l'avenir des jeunes du Manitoba;**
- **le financement des améliorations d'infrastructure;**
- **la mise en place de collectivités sûres et dynamiques;**
- **le soutien aux enfants et aux familles.**

Dans ce budget, nous avons pris des décisions justes et responsables qui permettront de conserver des programmes clés, de maintenir une économie solide et croissante, et d'aider à bâtir un avenir encore plus prometteur pour tous les Manitobains et Manitobaines.

Pour de plus amples renseignements sur le Budget 2004, visitez notre site Web à **www.manitoba.ca**.

Le ministre des Finances,

Greg Selinger

Greg Selinger